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BENEFICIAL CORPORATION ANNUAL REPORT 1984

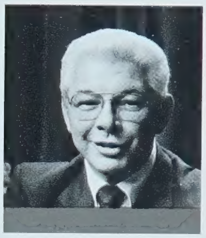
BENEFICIAL

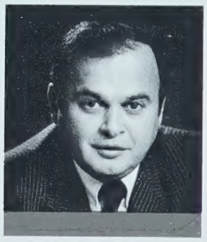
FINANCIAL HIGHLIGHTS

(in millions) Years Ended December 31	1984	1983	1982	% Increase (Decrease) 1984 over 1983	% Increase (Decrease) 1983 over 1982
Consolidated					
Income From Continuing Operations	$ 106.3	$ 105.6	$ 78.3	.7%	34.9%
Loss From Discontinued Operations	—	—	(109.7)		
Net Income (Loss)	106.3	105.6	(31.4)	.7	
Earnings Per Common Share					
Continuing Operations	4.02	3.96	2.73	1.5	45.1
Discontinued Operations	—	—	(4.90)		
Net Income (Loss)	4.02	3.96	(2.17)	1.5	
Dividends Per Common Share	2.00	2.00	2.00	—	—
Shareholders' Equity at End of Year*	992.8	953.0	910.3	4.2	4.7
Finance Division					
Revenue	$1,804.6	$1,581.9	$1,497.6	14.1	5.6
Net Income	113.6	114.3	86.4	(.6)	32.3
Principal of Finance Receivables**	5,367.5	4,884.3	4,256.3	9.9	14.8
Average Account Balance**	2,335	2,313	2,048	1.0	12.9
Reserve for Credit Losses as % of Principal of Finance Receivables**	3.96%	4.21%	4.42%	(5.9)	(4.8)
Merchandising Division					
Net Sales and Other Revenue	$ 697.7	$ 650.3	$ 599.7	7.3	8.4
Net Income	16.6	15.5	12.6	7.1	23.0

*Includes Redeemable Preferred Stock of $125.0.

**At end of year.



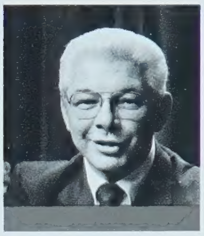


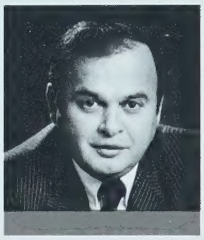
Beneficial Corporation is one of the world's leading consumer financial services companies. Consumer finance, with over $5 billion in receivables, is the cornerstone of Beneficial's business and the basis of the Company's market franchise. Financial services are provided to consumers through 973 loan offices in the United States, and 182 offices in Canada, the United Kingdom, West Germany, New Zealand, and Ireland. Within consumer finance, real estate secured loans and bank credit card receivables represent Beneficial's key growth markets. Credit card receivables are originated through Beneficial National Bank USA, the Company's consumer bank. Beneficial also owns a small commercial bank and several other consumer banking and thrift units.

Through the Beneficial Insurance Group (BIG), whose assets approach $2 billion, Beneficial provides a wide variety of life, annuity, accident and health, and property and liability insurance coverages. Credit insurance and annuity coverages are BIG's main sources of profitability.

Western Auto Supply Company represents Beneficial's Merchandising Division. Western Auto is a hard goods retailer specializing in automotive supplies, particularly for the "do-it-yourself" consumer.

Six of our key assets are pictured at right. The story of their success, and the professionalism of our 1,150 other loan office managers, is the subject of our photo essay this year, which appears on pages 5 through 12.





BENEFICIAL TO OUR SHAREHOLDERS

Finn M. W. Caspersen

Beneficial continued its strategy of maximizing profitability in basic markets and businesses in 1984. All these areas of the Corporation had a truly excellent year. Unfortunately, the property and casualty reinsurance lines of the Insurance Group, which are not a part of our basic long-term strategy, incurred continuing heavy losses, significantly lowering our overall profitability. Reflecting this impact, Beneficial's consolidated net income of $106.3 million was about flat with 1983, although earnings per share increased marginally to $4.02 from $3.96 reflecting a slightly reduced number of common shares outstanding.

Earnings of our core business, the Consumer Finance Group (CFG), rose strongly to a record $111.7 million from $96.1 million in 1983. However, Insurance Group profits declined sharply to $1.9 million from $18.2 million a year earlier, so that overall Finance Division earnings were little changed from 1983. Net income of the Merchandising Division, represented by Western Auto Supply Company and subsidiaries, rose to $16.6 million from $15.5 million in 1983, with operating earnings before special items advancing by an excellent 29%. Western Auto continues to make significant progress in implementing its strategic goal of centering on the automotive

supply market, where it is already one of America's leading national retailers. Despite the expensing of substantial current investments related to this strategy, Western Auto's earning power continues to steadily move towards an acceptable level of profitability.

The Consumer Finance Group's excellent earnings results are gratifying. Strong receivables growth continued for the second consecutive year, indicative of our ability to market and generate high-yielding consumer loans. Beneficial's total receivables portfolio has increased more than $1.1 billion since the beginning of 1983. At the same time, credit quality of the portfolio has improved dramatically, a result of our equally strong ability to assess the creditworthiness of our borrowers and to collect the loans we make to them.

We are consumer lenders. This is what we do best. This is our franchise. In the future we plan to concentrate on our basic business, expanding its focus only with the insurance and other financial services that are directly related and complementary to our well-focused mission.

Within the Insurance Group, earnings of the credit insurance and annuity businesses remain strong. Problems are centered in the property and casualty reinsurance business where, although we have sharply restricted and refocused current writings, we continue to be adversely impacted by loss development on the previously written business, which was generated almost entirely from a few managing general agents (MGA's). While contracts with these agents have been terminated, a substantial amount of new MGA premium was booked in 1984 reflecting the significant reporting lags inherent in this method of operation, as well as the influence of multi-year renewals. Each dollar of new MGA premium generates proportionately a significant loss, since given the troubled state of the industry and our clear desire to be conservative, substantial reserves are posted immediately.

We are confident that MGA premiums written will be significantly reduced in 1985, so that barring severe further deterioration in loss development or major insolvencies of reinsurers behind us, Insurance Group net income should gradually begin to recover as reinsurance losses begin to abate. Hopefully, the worst is now over, so that the excellent earning power of our basic credit insurance and annuity businesses will no longer be negated by the property and casualty drain.

Earnings improved in nearly all of the Company's businesses, but overall results continued to be negatively impacted by reinsurance losses.

What has made the reinsurance problem all the more frustrating is the excellent progress we have made over the past several years in virtually all other areas of Beneficial. Quantitatively, earnings performance of our other businesses has improved significantly. Qualitatively, we continue to make excellent progress in improving the professionalism of our management team—both through internal development and promotion and through selective hirings from the outside. Both the strength and the depth of Beneficial's management team has increased in each of the past several years, and particularly so in 1984.

Competition in the consumer financial services business intensified in 1984. Many other financial and non-financial companies are realizing what we have known for decades—how very attractive a business it is to provide financial services to American consumers—particularly to lend to them. But despite the increased competition in our core business, we continue to prosper, even though we are far from realizing our full marketing potential, both in the lending and insurance sides of the company. In the future, we plan to sell a broader array of insurance, loan, and related financial products to our expanding customer base, developing a stronger relationship with them.

Strategically, we are extremely well positioned to compete in an increasingly deregulated consumer financial services marketplace. The cornerstone of our strength is the 1,155 outlet consumer loan office network throughout the United States and five foreign countries. But equally valuable is our consumer bank, Beneficial National Bank USA, providing bank credit card and related financial services to over 750,000 consumers nationwide by mail, from its Wilmington, Delaware location. Increased utilization of the deposit gathering opportunity is available to us through Beneficial National Bank USA, our consumer thrift units, and through our commercial banking subsidiary. Finally, through our insurance subsidiaries, we underwrite directly the insurance products we sell to our customer base. Few competitors in the industry currently have such an extensive strategic arsenal under one roof. Our main task in the future is to continue to maximize the profitability of these individual units, as well as to optimize the cross-selling opportunities of our products across the spectrum of our total customer base. Much hard work remains to be done, and the outlook is hardly free of risk, but our prospects are clearly exciting.

In December, we agreed to sell our Australian consumer finance subsidiary for approximately $30 million cash. During 1984 we also sold our small Japanese consumer finance operation. These sales, as well as the winding down of our commercial finance activities, demonstrate our commitment to pruning out the low return parts of our businesses with a firm discipline. Accordingly, with the exception of the reinsurance area, Beneficial's earnings and basic health have never been stronger.

We thank you, our fellow stockholders, for your support during this period of redirection. Our company has been repositioned and the strategic groundwork has been laid. We now hope to enjoy the fruits of our labor.

We are highly optimistic about the outlook for Beneficial Corporation in 1985 and for the longer term.

Finn M. W. Caspersen

Chairman of the Board
and Chief Executive Officer

Lending money is very much a "people" business, and Beneficial's greatest strength—the source of our success in consumer lending—is our people.

Consumers will always need to borrow, and Beneficial people will always be there to lend, to provide thoughtful and knowledgeable counseling, and personalized customer service to America's middle class.

We are proud to present, on the pages that follow, portraits of six of our key assets. They are a cross section of the more than 1,150 loan office managers who serve Beneficial customers across our nation and the world. Each manages a business in his or her community. Some businesses are small, and some are not so small, but each manager is a lending professional who knows his customers by name and need.

A $2 million office located in a small town in Oklahoma, for example, functions like a "local bank." Compare this to a $125 million second mortgage office in a San Francisco suburb, or a $3 million loan office near a military base in Fayetteville, North Carolina, that deals primarily in unsecured loans.

The operations of the six highly profitable offices we portray—and 1,150 others like them—are the cornerstone of our business. Their managers are the heart of our company. They are Beneficial.






BENEFICIAL

ANGIE GREGORY

Angie Gregory manages an $8 million office—primarily second mortgage loans—in the close-knit agricultural community of Tulare, California, just north of Fresno. Through lending expertise and extensive knowledge of over 1,000 customers, Angie and her staff are uniquely able to provide advice on borrowing alternatives.

BENEFICIAL

RICHARD ANDREWS

The $3 million Fayetteville, North Carolina office is unusual in that more than half of its customers are military personnel. The manager, Dick Andrews, is a retired Navy man who understands the needs of this market. Nearly 75% of his outstandings are unsecured loans with profitability supplemented by excellent insurance sales.

Judy Fields manages a $2 million Beneficial office in rural Woodward, Oklahoma. Appointments scheduled after regular closing time are the rule in Woodward. This successful office is truly a standout in its operation of Beneficial's Income Tax Service. Judy's familiarity with her customers' financial profiles makes tax preparation a natural product line extension.

BENEFICIAL

JIM PAGE

Clayton, Missouri, an affluent suburb of St. Louis, is the location of the $4 million office managed by Jim Page. The office sources a significant amount of new business through the conversion of installment sales contracts, approximately 25% of its portfolio. Jim and his staff work hard to introduce Beneficial to these customers.

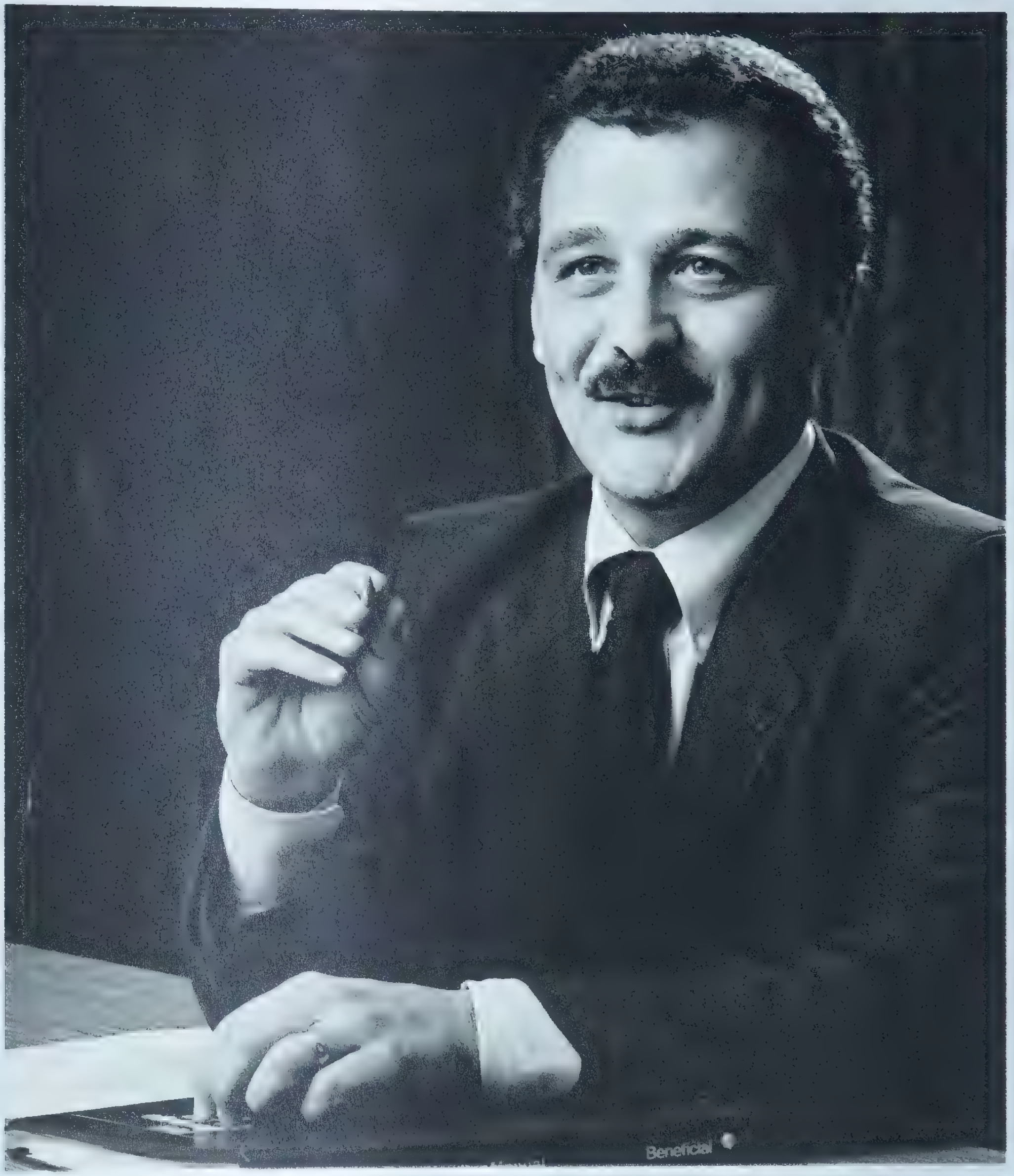
BENEFICIAL

ABE
PEREZ

The $5 million Westchester, Florida office managed by Abe Perez serves both the Spanish and English-speaking communities in the greater Miami area, emphasizing second mortgage loans. Abe and his bilingual staff stress courtesy and personal service to provide a comfortable atmosphere. They typify Beneficial's ability to serve a unique market niche.

BENEFICIAL

ED
BEARBY



Ed Bearby, in San Mateo, California, manages one of Beneficial's very largest offices. He and his staff are real estate specialists, with over $125 million in second mortgage loans, originated primarily through brokers. Extensive knowledge of real estate lending allows them to provide a valuable additional product: conventional first mortgages.

The six Beneficial managers you have just met in our photo essay, and all our loan office staffs, are very special people. They are people who care deeply about our customers.

Collectively, they run a big business, almost $5 billion big. All across America and in five foreign countries, they offer consumer loans to help people meet their immediate financial needs or turn a dream into reality. Many different loan products are available—varying in maturity and other terms, as well as means of access—to suit each customer's individual requirements. In many cases, the money is in our customers' hands in 48 hours. Increasingly, a broadening array of insurance products is also being offered by Beneficial professionals to meet another key financial need of our customers.

At tax time, Beneficial managers show taxpayers hundreds of ways to save money. Customers appreciate the expert help they receive in determining all the varied credits and deductions to which they are entitled.

Highly motivated, personally involved, these dedicated professionals make the difference at Beneficial.

Earnings per share increase marginally to $4.02 from $3.96 in 1983.

Consumer Finance Group earnings increase 16% to a new record.

Consumer Finance Group net income return on average receivables, an excellent 2.14%.

Credit quality of the receivables portfolio continues significant improvement.

Insurance earnings sharply reduced by continuing substantial property and casualty reinsurance losses.

Western Auto net income increases 7% and aftertax operating earnings before special gains climb 29%.

Profit gains in the Consumer Finance Group and Western Auto boost fourth quarter results and offset decline in Insurance Group earnings.

Review of Fourth Quarter Results

Beneficial Corporation's fourth quarter net income increased to $27.8 million from $25.9 million in the fourth quarter of 1983. Comparable earnings per share rose to $1.07 from $0.97 in 1983.

Fourth quarter Finance Division profits increased slightly to $27.8 million from $26.7 million in 1983 led by a good gain in Consumer Finance Group profits to $26.3 million from $23.9 million a year earlier. Insurance Group earnings declined to $1.5 million from $2.8 million. Insurance earnings included $14.0 million in one-time tax benefits received under the "fresh start" provisions of the Deficit Reduction Act as they relate to life insurance companies.

Western Auto's fourth quarter net income increased to $6.2 million from $5.4 million in 1983. Included in 1984 results was a $1.3 million net aftertax gain on the sale of a distribution center, while 1983 net income included $1.5 million in special real estate and debenture repurchase gains. Removing these special items, Western's operating earnings in the quarter increased to $4.9 million from $3.9 million in 1983.

Full fourth quarter income statements for each of Beneficial's Divisions are presented within the Financial Section of this report.

Financing

During 1984 Beneficial maintained its corporate policy of financing growth largely through long-term debt since the asset portfolio continues to be dominated by fixed rate loans. In so doing, the Corporation has created a conservative, risk-averse capital structure that reduces its sensitivity to interest rate fluctuations. However, the proportion of short-term debt in the mix was allowed to increase in 1984 reflecting Beneficial's growing ability to

Net Income

(in millions)	1984	1983	% Increase (Decrease)
Consumer Finance Group	$111.7	$ 96.1	16.2%
Insurance Group	1.9	18.2	(90.0)
Finance Division	113.6	114.3	(0.6)
Merchandising Division	16.6	15.5	7.1
Corporate Expenses (a)	(23.9)	(24.2)	(1.2)
Net Income	$106.3	$105.6	0.7%
Earnings Per Common Share	$ 4.02	$ 3.96	1.5%

(a) Aftertax effect.

Funding Base

(in millions)	12/31/84	% of Total	12/31/83	% of Total
Short-Term Debt				
U.S. Currency	$ 679.4	13.4%	$ 306.8	6.7%
Foreign Currency	156.1	3.1	202.8	4.4
Total Short-Term Debt	835.5	16.5	509.6	11.1
Deposits Payable	253.0	5.0	230.5	5.0
Long-Term Debt	3,964.5	78.5	3,841.7	83.9
Funding Base	$5,053.0	100.0%	$4,581.8	100.0%

originate variable rate loans, both in the bank credit card business and in the consumer finance offices. Long-term debt is primarily fixed rate, with the major exception being a $200 million issue that is repriced twice a year at a spread of 50 basis points over six-month Treasury bill yields.

Beneficial was active in the long-term debt markets in 1984 as a result of the year's strong receivables growth coupled with refunding needs for maturing debt. During the year, $871.9 million in long-term debt was issued, of which $242.5 million was issued under the Company's medium-term note program. The weighted average interest rate on all long-term debt issued in 1984 was 12.67%. The flexibility offered by Rule 415 "shelf registration" procedures significantly aided term financing efforts, as Beneficial made aggressive use of this funding approach.

Reflecting maturities of lower-coupon debt during 1984 and the year's sales of term debt at the prevalent rates, the embedded average rate on Beneficial's total long-term debt of $4.0 billion increased to 10.41% at December 31 from 10.01% at the end of 1983. However, this remains a highly attractive rate for fixed rate financing, generating a substantial spread on funding the fixed rate receivables portfolio. This huge portfolio of term debt provides a powerful stabilizing influence on Beneficial's overall cost of funds despite the fluctuations of short-term borrowing costs. The average cost of short-term funds, including the cost of bank compensating balances and commitment fees on lines of credit, was 11.33% for 1984, up from 10.78% for the prior year.

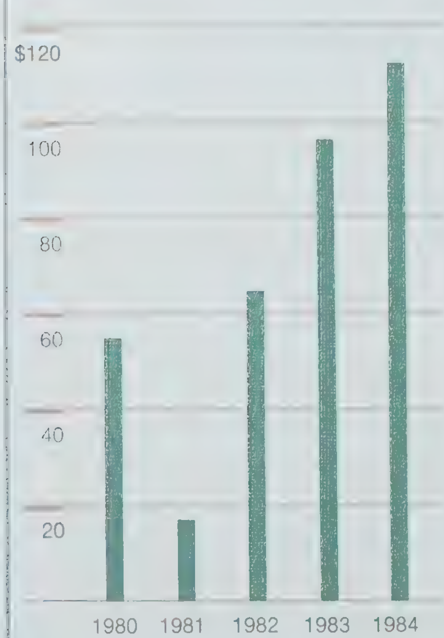
Beneficial's policy of financing growth largely through long-term debt has reduced the Company's sensitivity to interest rate fluctuations.

Average Cost of Funds

	1984	1983	1982	1981
1st quarter	**10.49%**	10.01%	11.29%	11.18%
2nd quarter	**10.70**	10.03	11.29	11.27
3rd quarter	**10.96**	10.27	10.94	12.15
4th quarter	**10.75**	10.30	10.48	11.43
Full Year	**10.73%**	10.16%	10.88%	11.53%

Beneficial allowed its percentage of short-term debt to increase moderately in 1984, reflecting its growing portfolio of variable rate loans.

Consumer Finance Group Earnings
(in millions)



Chiefly reflecting the gradually increasing rate on the long-term debt portfolio, Beneficial's world-wide average cost of funds reached a mean of 10.73% for the full year, up from 10.16% in 1983. Beneficial's average borrowing cost of all debt, short and long, on a quarterly basis over the past four years is presented in the table above. These rates include the cost of bank compensating balances and commitment fees on commercial paper back-up lines of credit.

Included in the above totals are higher cost foreign currency borrowings incurred to finance Beneficial's overseas operations, with borrowing costs particularly high, on a relative basis, in our operations in Canada and particularly so in Australia, which was sold at year end. The average cost of U.S. dollar borrowings during 1984 was a somewhat lower 10.10%, up from 9.32% in 1983.

Beneficial's domestic short-term financing is effected mainly through the direct issuance of commercial paper to institutional investors. At year end, domestic bank lines of credit totaled $603 million. Beneficial is in the process of converting a substantial portion of these lines to committed, revolving credit lines. Overseas bank lines total $185 million.

Consumer deposits play a modest role in Beneficial's funding. At December 31, total deposits were $253.0 million, up from $230.5 million at the end of 1983. Of the 1984 year end total, $84.9 million represented employee thrift accounts, with the remainder generated from Beneficial's thrift units in Ohio, Florida, Colorado and the United Kingdom, as well as from Beneficial National Bank USA, our

Consumer Finance Group — Profitability Analysis

	1984	1983	1982	1981
Average Receivables (a)	$5,208.2	$4,479.9	$4,266.9	$4,366.8
% of Average Receivables				
Finance Charges and Fees	19.89%	20.53%	21.25%	20.88%
Interest Expense	8.60	8.24	9.10	9.96
Lending Spread	11.29	12.29	12.15	10.92
Other Revenues	1.14	1.43	1.10	1.17
Gross Spread	12.43	13.72	13.25	12.09
Provision for Credit Losses	1.70	2.30	2.69	2.48
Salaries & Employee Benefits	3.24	3.70	3.90	4.35
Other Operating Expenses	3.68	4.06	3.89	3.75
Total Operating Expenses	8.62	10.06	10.48	10.58
Operating Income	3.81%	3.66%	2.77%	1.51%

(a) In millions. Excludes unearned finance charges.

consumer bank. During 1984 BNB USA began to experiment with direct mail solicitation of consumer deposits from over 500,000 selected credit card account holders nationwide. Initial results are encouraging, with a modest total of $10.5 million in deposits held at year end from the initial test.

Because of its distinct nature as a commercial bank, Beneficial National Bank is a non-consolidated subsidiary of Beneficial Corporation. Its $68.7 million in deposits are not included in the total.

Consumer Finance Group

The Consumer Finance Group (CFG) is Beneficial Corporation's basic engine of profitability. It is the unit which conducts Beneficial's consumer lending business, and also serves as the marketing channel through which a large share of the Insurance Group's operating profits are generated. Included in the CFG are the domestic and foreign loan offices, the bank credit card business (conducted by Beneficial National Bank USA), the income tax service, and Beneficial's mortgage and thrift subsidiaries. Finally, while not consumer oriented, Beneficial's leveraged leasing and commercial finance activities are also included in CFG results.

The CFG had another excellent year in 1984 as net income increased 16.2% to $111.7 million from $96.1 million in 1983. The positive effects of strong receivables growth, excellent improvement in credit quality and close control of operating expenses offset the negative impact of a squeeze on lending margins. The table at left analyzes CFG profitability dynamics over the past four years, presenting major categories of income and expense as a percentage of the average principal balance of receivables. This table, which is a key analytical tool, illustrates the influences producing the dramatic recovery in CFG profitability since 1981.

During 1984 Beneficial's receivables increased a strong $484 million (10%) following on the heels of 1983's excellent $628 million gain. Accordingly, 1984's average receivables outstanding increased a vigorous 16% to $5,208.2 million from a mean of $4,479.9 million in 1983.

Reflecting the dominant proportion of lower yielding real estate secured loans in the portfolio, as well as active rate competition from other consumer lenders, finance charges and fees fell to 19.89% of mean receivables from 20.53% in 1983. Thus, with interest expense increasing to

Total operating expenses have improved dramatically over the last four years, from 10.58% of average receivables in '81 to 8.62% in '84.

Consumer Loan Delinquency
at December 31

8.60% of receivables from 8.24% in 1983, Beneficial's lending spread (roughly the equivalent of a bank's net interest margin) fell to 11.29% from 12.29% in 1983. It should be noted that this margin does, however, remain at a quite high absolute level relative to banks and other financial intermediaries. With other revenues down somewhat at 1.14% of receivables, Beneficial's gross spread declined to 12.43% from 13.72% in 1983.

Reflecting the year's significant reduction in net chargeoffs to $70.4 million (1.27% of average gross receivables) from $83.6 million (1.73% of receivables) in 1983 and the continuing improvement in delinquency, the provision for credit losses fell sharply to 1.70% of receivables from 2.30% in 1983. Despite this reduction, the reserve for credit losses was a highly conservative 3.96% of total receivables at year end, a level 3 times the year's actual net chargeoffs.

The CFG enjoyed substantial operating leverage from the recent years' strong receivables gains on the base of largely fixed operating costs. Salaries and employee benefits fell to 3.24% of receivables from 3.70% a year earlier, while the other operating expense category (which includes rent, advertising, telephone, travel and all other operating costs) declined to 3.68% from 4.06%. Thus, the key operating efficiency ratio (the sum of these two aforementioned ratios) improved to 6.92% from 7.76% in 1983. Continued improvement in this efficiency ratio is anticipated in the future. Noteworthy is the dramatic improvement in total operating expenses (including the provision for credit losses) over the last four years from 10.58% in 1981 to 8.62% in 1984.

Driven by this improvement, pretax operating income increased to 3.81% of mean receivables from 3.66% in 1983. Despite a slightly higher effective tax rate in 1984, the CFG's net income return on average receivables was an excellent 2.14%.

As noted above, Beneficial enjoyed another year of excellent receivables growth in 1984 reflecting active solicitation efforts for new business in the strong consumer economy that was prevalent. As has been the case in recent years, real estate secured loans and bank credit card receivables were the major sources of growth. Beneficial's renewed commitment to its traditional unsecured personal loan and sales finance markets was reflected in a gain in sales finance outstandings for the full year and a slowing in the contraction in per-

Consumer Finance Offices

at December 31	1984	1983	1982	1981	1980
United States	973	1,068	1,152	1,461	1,898
Canada	102	102	112	137	159
Australia	—	88	88	101	114
United Kingdom	67	67	68	71	64
Japan	—	10	12	12	13
West Germany	8	7	7	7	7
New Zealand	4	4	3	3	2
Ireland	1	1	2	1	1
Total	1,155	1,347	1,444	1,793	2,258

Principal of Finance Receivables

at December 31 (in millions)	1984	1983	1982	1981	1980
Real estate secured loans	$2,909	$2,704	$2,180	$2,035	$1,470
Personal loans	1,209	1,257	1,411	1,832	2,197
Bank credit card receivables	749	472	220	106	92
Sales finance contracts	311	218	184	241	326
Leasing and commercial finance receivables	190	233	261	232	168
Total	$5,368	$4,884	$4,256	$4,446	$4,253

sonal loan outstandings. Leasing and commercial finance receivables declined reflecting portfolio run-off due to Beneficial's withdrawal from the commercial finance market. However, moderate growth in leveraged leasing receivables was achieved.

Beneficial's real estate secured loans increased to $2.9 billion in 1984, as we continue to be one of America's very largest second mortgage lenders. The average real estate loan made continued to increase, reaching $17,710 in 1984, up from $16,403 in 1983 and only $11,775 in 1982, thereby generating substantial operating expense efficiencies.

Similar trends are also apparent in unsecured lending activity, with the average personal loan made increasing to $1,959 from $1,823 in 1983, and the average sales finance contract purchased rising to $816 from $684 a year earlier.

Revolving loans, both unsecured and secured by a second mortgage, continue to be a key source of high quality receivables growth.

Total revolving receivables outstanding increased to $682.2 million at December 31 from $408.3 million at the end of 1983. Revolving loan programs involve establishing a preapproved line of credit, accessible through checks issued to the consumer and drawn on Beneficial National Bank, our commercial banking subsidiary. Consumers appreciate the convenience and flexibility of such programs, which are also highly cost-effective from Beneficial's perspective. A substantial portion of revolving loans are written on a variable interest rate basis (generally prime plus 4%), allowing us to fund these loans quite profitably with commercial paper borrowings.

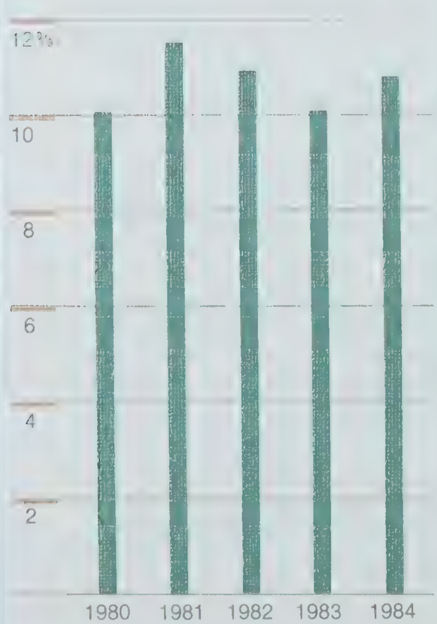
Geographical Distribution

U.S. marketing through the loan offices currently centers on 38 states offering combinations of reasonable regulation as to rate and method of operation, healthy state economies, and sufficient market size to provide for economies of scale in operating costs. U.S. operations are relatively concentrated, with the dominant state, California, representing nearly one third of total loan office receivables. Other large states of operation include Pennsylvania, New York, Ohio, Texas, Florida and New Jersey.

Foreign receivables, which represent only 9% of Beneficial's total, are concentrated in Canada and the United Kingdom.

Japanese and Australian subsidiaries were sold in 1984, as Beneficial focused on maximizing its return on investment.

Average Worldwide Cost of Funds



Close attention to profitability requirements brought about some additional pruning of the office network. Accordingly, direct measures of operating efficiency in the loan office system continued to improve in 1984. Cash invested (net receivables) per employee, a particularly important measure, increased significantly to $940,800 at year end from $839,900 at the end of 1983. Similarly, cash invested per office rose to $3,630,000 from $3,030,000 a year earlier.

Foreign Operations

During 1984 Beneficial narrowed the scope of its foreign operations, centering on the most attractive, profitable countries. In July, our small Japanese operation (approximately $14 million in receivables) was sold. Japanese operations had been unprofitable since inception. A more substantial divestiture took place in December, when the Company's Australian subsidiary was sold for approximately $30 million cash. While consistently profitable, Australian operations had not, in recent years, earned a return up to the corporate standard, and future prospects were considered uncertain. Total receivables of Australian operations were over $202 million at year end.

Beneficial's foreign finance business now centers on our large operations in Canada and the United Kingdom. At year end, total foreign receivables were $494 million, down from the peak of almost $723 million at the end of 1983.

Sales Finance

During 1984, sales finance outstandings increased 43% to $311 million, reflecting the Company's success in growing this key product category. Sales finance contracts offer not only a profit

Foreign Finance Receivables

(in millions)	12/31/84	12/31/83	12/31/82	12/31/81	12/31/80
Canada	**$285.1**	$277.7	$204.7	$231.1	$203.3
Australia	—	209.5	206.5	234.6	183.1
United Kingdom	**123.4**	129.2	120.3	118.3	119.2
West Germany	**54.9**	59.7	63.8	64.0	74.2
New Zealand	**23.8**	27.4	18.2	14.5	9.5
Japan	—	13.5	12.4	14.3	8.7
Ireland	**7.1**	5.7	5.6	2.0	0.8
Total	**$494.3**	$722.7	$631.5	$678.8	$598.8

opportunity for the Company, but also an excellent source of new customers. During the year, 30% of new loan customers were obtained from sales finance conversions.

Under the banner of Bencharge Credit Service, Beneficial has redirected its efforts in this business away from traditional high risk, door-to-door retailers to "main-street" merchants, including computer, furniture, appliance, and home improvement stores. Merchants are offered a full-line credit service including such features as credit authorization via a toll-free number, tips on improvement in credit sales, training, and statistical information. The Company offers a variety of plans ranging from small, single purchase contracts to private label revolving charge accounts. The average sales finance contract written in 1984 was $816, up from $684 in 1983.

Income Tax Service

Beneficial's Income Tax Service is provided to customers from locations throughout the United States and Canada. These include both Beneficial loan offices and independent banks, credit unions, savings and loan associations and retail stores, as well as several "free-standing" offices. For the 1985 tax season, Beneficial will significantly expand its Income Tax Service distribution network through an agreement with Montgomery Ward, adding 178 locations in the U.S.

The Income Tax Service recorded increased revenues again in 1984. During the year, over 300,000 tax returns were prepared. Excellent results were recorded by the Canadian tax discounting operation, where customers are able to obtain an immediate loan against the future receipt of a tax refund. In the coming year, the Income Tax Service will emphasize customer service through value-added enhancements that satisfy the customer's desire for audit assistance, convenience, and tax and financial planning.

Beneficial Mortgage Corp.

In June 1984, Beneficial Mortgage Corporation began transition from a two-office mortgage company to a full-service mortgage banking subsidiary supporting origination of mortgages through Beneficial's loan offices. First mortgages are a very compatible addition to the Company's traditional product mix. To support expanded operations, in 1984 Beneficial Mortgage installed computer systems to assist in loan tracking, document preparation, secondary marketing, and loan registration.

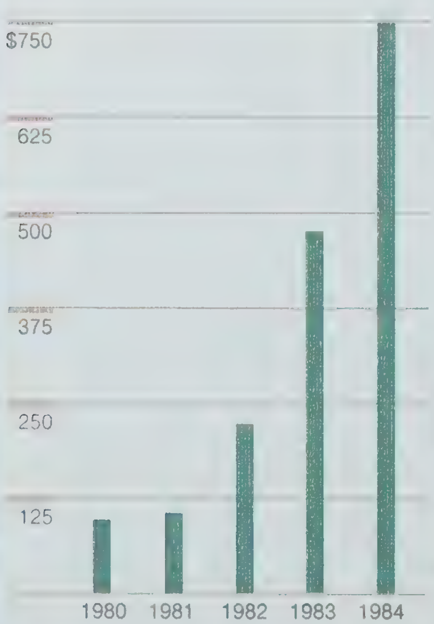
First mortgages are originated through six regional processing centers located in California, Florida, Delaware, and Missouri, and currently through a limited number of finance offices in fifteen states. All loans are sold to investors in the secondary market, with servicing retained by Beneficial. At December 31, 1984, the servicing portfolio totalled $90 million.

Beneficial Commercial Corp.

Due to poor performance reflected in the high level of delinquency and net chargeoffs experienced over the past few years, Beneficial effectively exited the commercial finance and non-tax oriented leasing areas in 1984. Consequently, those portfolios are now being liquidated. Beneficial Commercial Corp. (BCC) has refocused its efforts on tax advantaged leveraged leasing transactions, the Group's original and only business. The leveraged lease portfolio has been virtually trouble free and quite profitable. Highly attractive opportunities remain for equity participants such as Beneficial that have substantial taxable income to offset. Subject to the continued availability of taxable income, which is expected to be quite substantial over the coming years, Beneficial intends to reestablish itself as a significant equity participant in the leveraged leasing market.

Beneficial National Bank USA continues to rank among the nation's largest issuers of premium bank credit cards.

Bank Credit Card Receivables
(in millions) at December 31



Despite the closing of several large leveraged leasing transactions in 1984, total leasing and commercial finance receivables declined to $189.6 million at year end from $232.7 million at the end of 1983 because of commercial finance portfolio run-off and chargeoffs. Accordingly, while BCC generated a significant net loss in 1984, a return to at least breakeven operations is anticipated in 1985 because of sharply reduced net writeoffs and slashed overhead expenses.

Beneficial National Bank USA

Beneficial National Bank USA (BNB USA), located in Wilmington, Delaware, is Beneficial Corporation's consumer bank. As a national bank regulated by the Comptroller of the Currency, BNB USA is primarily engaged in the credit card business, issuing MasterCard and Visa cards to more than 750,000 consumers nationwide. With total credit card receivables of $745 million at year end, BNB USA is believed to hold the nation's twelfth largest bank credit card portfolio, and to rank among the very largest issuers of premium bank cards—the gold MasterCard card and the Premier Visa card.

BNB USA is one of Beneficial Corporation's finest success stories. Like many initial entrants, Beneficial Corporation's early efforts in the bank credit card field in the late 1970's were troubled by a high level of delinquency and chargeoffs. Coupled with high operating costs and sluggish portfolio growth, the business generated substantial losses. However, under present management the bank credit card business has been transformed into an extremely profitable, rapidly-growing and highly-efficient consumer bank with strong credit quality. As indicated in the table on page 19, bank credit card outstandings, including approximately $4 million held by the U.K. consumer finance operation, have increased more than seven-fold since 1981, with outstandings increasing $277 million (59.0%) during 1984.

This excellent growth has largely been achieved internally, through sophisticated advertising and direct mail solicitation. Extensive use of newspaper "coupon" ads was made in 1984, and in 1985 the bank plans to experiment with phone-in solicitation through television commercials. In addition, the bank continues to pursue acquisitions of credit card portfolios of smaller regional banks. During 1984 the acquisition of the $14 million portfolio of Westamerica Bank NA of San Raphael, California was completed, bringing total portfolio acquisitions over the past three years to $78 million

achieved through four separate transactions. Along with continued internal growth, aggressive pursuit of acquisition opportunities will continue in the future, given the fact that the highly automated nature of bank credit card processing makes it a business whose profitability benefits dramatically from economies of scale. Thus, divestiture may prove attractive to banks which do not foresee soon crossing the approximate $100 million critical mass threshold.

Reflecting this economy of scale effect, BNB USA's ratio of operating expenses (excluding advertising) to mean receivables declined dramatically to 3.6% of the portfolio in 1984 from 4.6% of outstandings in 1983. Coupled with strong revenue growth generated by the excellent portfolio increase, the Bank's net income increased sharply to $12.0 million from $6.8 million in 1983. The 1984 performance represents a 2.0% after-tax return on average assets.

The Bank's $745 million credit card portfolio is split about equally between premium card and standard card outstandings. The premium cards are designed to appeal to upscale consumers with incomes in excess of $40,000 per year, offering unsecured lines of credit of $5,000 or more and a variety of travel and entertainment benefits. Pricing on premium card accounts is particularly attractive from a corporate funding perspective, as outstandings carry a variable rate of prime plus 4%, subject to a minimum. Thus, significant pricing protection is afforded on the upside should short-term interest rates rise sharply. Moreover, of strategic significance, the premium card product affords Beneficial Corporation an entree to a growing, convenience-oriented, upscale consumer market segment.

Beneficial National Bank USA is Beneficial's key, most successful direct mail marketing arm. Late in the year the Bank began an experimental program to gather consumer time deposits through the mail. Results of the test were successful, with over $10 million in deposits generated by year end. The deposit gathering program will be fully rolled out in 1985. Over time it is anticipated that the Bank's direct mail expertise can be crossfertilized with the products of the Beneficial Insurance Group, so that increasing amounts of in-house provided insurance products can be marketed to the Bank's customers.

Credit Loss Experience—Condition of the Portfolio

Beneficial's credit loss experience was sharply improved in 1984 for the second straight year. As indicated in the table below, gross finance receivables charged off, net

Net chargeoff percentage in 1984 of 1.27% of average receivables is Beneficial's lowest since 1969.

of recoveries, dropped to 1.27% of average gross receivables from 1.73% of receivables in 1983. This represents Beneficial's lowest net chargeoff percentage since 1969. As was the case in 1983, improvement in consumer credit loss experience was even greater than initially apparent, since the consolidated percentage includes substantial writeoffs from Beneficial's past commercial finance activities.

Loan delinquency percentages (including real estate secured and unsecured loans) also showed good improvement in 1984, with consumer loan receivables more than two months delinquent falling to 0.74% at December 31 from 0.97% a year earlier and the peak of 1.62% reached at the end of 1981. Delinquency of the credit card portfolio did, however, increase modestly.

Reflecting the overall improvement in credit quality, Beneficial's reserve for credit losses was 3.96% of receivables at year end, compared to 4.21% at the end of 1983. At this level the reserve remains among the most conservative in the consumer credit industry, both relative to outstanding receivables and net chargeoffs. At its year end level, the reserve covers 1984 net chargeoffs 3 times, an extremely conservative ratio. Most major banking industry competitors maintain their consumer loan loss reserve at a level only slightly in excess of most recent year losses.

Beneficial National Bank

Beneficial National Bank of Wilmington, Delaware is Beneficial Corporation's commercial banking subsidiary. Beneficial National Bank conducts a full-service commercial banking operation, with emphasis on commercial lending to small- and medium-sized businesses in the local and regional markets. Beneficial National Bank's year end assets were $90.2 million and assets averaged $73.4 million in 1984, up from an average of $68.5 million in 1983.

The ownership of this full-service commercial bank provides Beneficial Corporation unique opportunities for cash management savings, as well as providing other

Credit Quality Measures

(in millions)			Finance Receivables Charged Off (a)		Reserve for Credit Losses at End of Year		
Year	Provision for Credit Losses (a)	Gross Amount of Receivables Charged Off	Net Chargeoffs	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year (b)	Consumer Loan Receivables More Than Two Months Delinquent (c)
1984	$ 88.3	$ 90.3	$ 70.4	1.27%	$212.4	3.96%	0.74%
1983	103.0	106.1	83.6	1.73	205.4	4.21	0.97
1982	114.9	130.4	114.3	2.45	188.3	4.42	1.37
1981	108.3	120.0	106.6	2.17	196.5	4.42	1.62
1980	107.2	124.7	114.7	2.34	194.8	4.58	1.57
1979	102.4	81.8	73.2	1.87	203.7	4.78	1.26
1978	70.9	59.0	51.1	1.57	147.8	4.90	1.15
1977	65.7	55.8	48.5	1.74	126.3	5.00	1.08

(a) Less offsetting recoveries.
(b) After deducting unearned finance charges.
(c) Includes real estate secured loans and unsecured loans.

banking services such as a full line of deposit accounts, wire transfers and check processing to the corporate group.

Beneficial Insurance Group

During 1984 Beneficial's insurance subsidiary holding company changed its name from BENICO to the Beneficial Insurance Group (BIG) to clearly identify operations around the uniform Beneficial corporate name. Unfortunately, by whatever name, Beneficial Corporation's insurance business suffered through what can only be described as another extremely difficult year in 1984. Net income fell sharply to $1.9 million from $18.2 million in 1983, as continuing losses in property and casualty reinsurance lines offset the good profits being earned by BIG's credit insurance and annuity businesses. BIG's property and casualty subsidiaries generated net aftertax losses of $45.9 million in 1984, with the lion's share of the deficit recorded by American Centennial Insurance Company (ACIC). However, the remainder of the Insurance Group's net income offset this loss , indicative of the vibrant health of both the credit insurance and annuity lines.

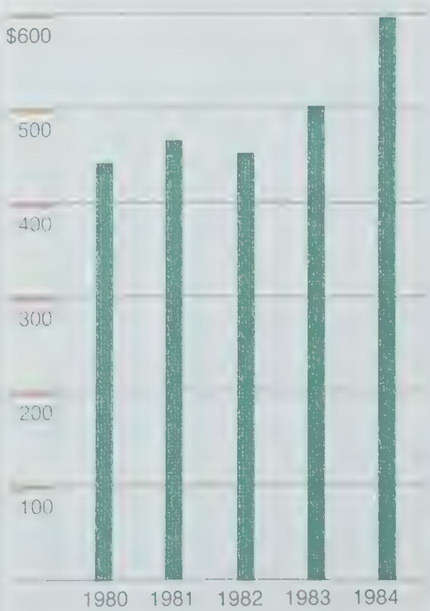
American Centennial's credit-related property insurance coverages continue quite profitable.

The serious losses arise from ACIC's past participation in the property and casualty reinsurance business, with the problems exacerbated by the method in which ACIC chose to participate in the business— through the appointment of managing general agents (MGA's) empowered to commit the company to specific risks and treaties, and to arrange reinsurance coverage protecting ACIC. Results of this delegation of underwriting authority can only be described as disastrous, as recent year Insurance Group earnings results bear painful witness.

Currently, although contracts of the several MGA's producing the bulk of the loss-ridden business have long since been terminated, ACIC must still cope with the underwriting "tail" of the business previously written, upon which loss development statistics continue highly adverse. Moreover, inflow of additional premium written, even from the terminated MGA's, continues to be substantial, reflecting the significant lags of reporting inherent in this method of operation, termination provisions in certain MGA contracts, and the influence of multi-year renewals written by the MGA's prior to termination. MGA premium inflow is expected to be significantly reduced in 1985. Nevertheless, given the crushing

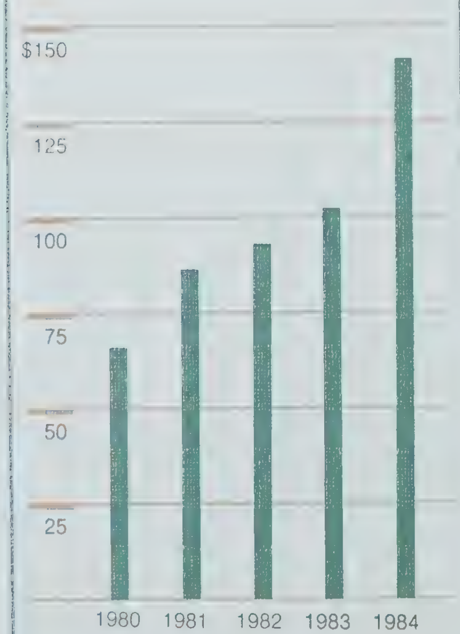
Beneficial's Insurance Group suffered through another difficult year in '84 due to property and casualty reinsurance losses.

BIG — Written Premiums
(in millions)



Overall premiums written increased by 18.3% in '84, led by healthy gains in our basic annuity and credit insurance businesses.

BIG – Investment Income
(in millions)



severity of the recent cycle on the whole industry, concerns remain related to the solvency of the reinsurers behind us. In short, although ACIC moved quickly to recognize its problems as early as December of 1982, when a special $30 million reserve was established, the problems have proven to be substantially worse than originally anticipated. We are cautiously optimistic that ACIC will sustain reduced losses from reinsurance in 1985; however, it is clear that this remains a troubled business, and any predictions about it are necessarily risky. What can be said is that experienced professionals, aided by up-to-date computer systems, are now in place to run the past troubled business off and to write modest amounts of new business directly in a highly controlled manner.

Early in 1984, Congress rewrote the tax laws as they apply to life insurance companies. As a result of the changed taxation formula, certain amounts previously charged against earnings and carried as a deferred income tax liability are no longer needed. Accordingly, during the second half of 1984 most life insurance companies enjoyed substantial releases of deferred liabilities to earnings tax-free under the one-time benefits of the so-called "fresh start" provisions of the Deficit Reduction Act. Accounting rules required that these benefits be recorded in either the third or fourth quarter of the year and be included as part of normal profitability. BIG's total benefit to net income (calculated in the fourth quarter) from "fresh start" was $14.0 million. However, in light of our aforementioned property and casualty reinsurance problems, this credit was virtually entirely offset in consolidation by loss and insolvency reserves recorded in the property and casualty companies.

Overall premiums written for BIG increased 18.3% to $598.0 million from $505.7 million in 1983, led by another excellent increase in annuity premiums written by our Western National Life Insurance Company subsidiary. Western National, based in Amarillo, Texas, is one of the nation's leading writers of structured settlement annuities (generally related to the settlement of large disability injury

Written Premiums—Lines of Business

(in millions)	**1984**	1983	1982
Life	**$ 42.0**	$124.1	$ 83.4
Annuities	**347.9**	244.2	211.3
Accident & Health	**69.5**	46.6	47.9
Property & Liability	**138.6**	90.8	110.6
Total	**$598.0**	$505.7	$453.2

claims). The overall structured settlement market in the United States is expanding geometrically, and despite the inevitable entrance of additional competitors, Western National continues to participate successfully in this growing market. Western National is also a major writer of conventional single premium deferred annuities (none sold through the oftentimes "hot money" stockbroker marketing channel), with a particularly strong national position in sales of tax deferred annuities to schoolteachers through payroll deduction plans. Western National represented more than 41.3% of BIG's total premiums written in 1984.

The other major source of growth was property-casualty premiums, reflecting the aforementioned lag effect and "tail" from cancelled managing general agent relationships. Life insurance premiums written were distorted by the reversal of a large surplus relief type reinsurance transaction that had been originally booked in 1983. Backing this transaction out, life premiums written were flat, as good gains were recorded in credit life premium. Credit accident & health premiums also rose nicely.

Total credit insurance premiums written in connection with loans made by Beneficial's Consumer Finance Group increased only slightly to $62.9 million from $62.5 million in 1983. However, profitability of this in-house business remained excellent. Independent creditor credit insurance premiums written rose sharply to $81.0 million from $48.5 million in 1983, as active marketing efforts successfully focused on the consumer loan operations of commercial banks, thrift institutions, automobile dealers and distributors, and other finance companies. Taken together, overall credit insurance operations (both for the Consumer Finance Group and outside business) continued to generate strong profits.

Investment Activities

Buoyed by the substantial growth in annuity premiums written, BIG's investment portfolio increased to $1.6 billion at December 31 from $1.2 billion a year earlier. Investment income increased an excellent 40.4% to $142.1 million from $101.2 million in 1983, while realized net aftertax capital gains rose to $6.2 million from $3.5 million in 1983. As indicated in the table below, the portfolio is chiefly invested in high quality fixed income obligations.

BIG Investment Portfolio

(in millions) at December 31	1984	% Total	1983	% Total	1982	% Total
U. S. Government Securities	$ 360.9	23.0%	$ 241.4	20.3%	$ 260.4	24.2%
Municipal Bonds	337.8	21.5	312.8	26.3	311.4	28.8
Foreign Government and Agency Obligations	41.0	2.6	41.8	3.5	31.7	2.9
Corporate Bonds	388.8	24.8	198.7	16.7	170.1	15.7
Preferred Stocks	53.3	3.4	54.7	4.6	49.1	4.5
Common Stocks	72.6	4.6	59.6	5.0	40.3	3.7
Policy Loans	19.7	1.3	15.2	1.3	14.9	1.4
Mortgages	193.4	12.3	135.4	11.4	96.1	8.9
Real Estate	9.0	0.6	9.0	0.8	13.4	1.2
Short-Term Holdings*	92.2	5.9	120.6	10.1	94.6	8.7
Total	$1,568.7	100.0%	$1,189.2	100.0%	$1,082.0	100.0%

*Chiefly commercial paper and certificates of deposit.

The substantial growth in long-term annuity reserves was matched on the asset side by investments in long-term corporate bonds, collateralized mortgage obligations, and commercial mortgages. Structured settlement annuity reserves are contractually locked in for relatively long periods (oftentimes, scheduled payment outflows continue for periods in excess of 20 years), creating the need to generate an attractive compound yield with equally long-term investments. Nevertheless, quality guidelines were not compromised, and new investments in Western National, as well as throughout the rest of BIG, continue to center on A-rated or better credits. At the same time, the Group continues to maintain a high degree of precautionary liquidity in short-term instruments, particularly in Western National and American Centennial. Commitment to the equity markets remains modest.

Generally, BIG's investment portfolio is managed in a quite conservative, risk-averse manner to generate a predictable stream of steadily increasing investment income and to offset the substantial underwriting risk inherent in the previously-written property-casualty reinsurance book. From an investment standpoint at least, this strategy has proven successful, as investment income from the growing asset base has increased at a compound annual rate in excess of 30% over the 1979–1984 period.

Beneficial Insurance Group, through its subsidiary Harbour Island Inc., also invests in real estate for residential and commercial development.

In 1979, Beneficial purchased property now known as Harbour Island, a 177 acre island located in Tampa Bay, just south of the city's central business district. Harbour Island is a mixed-use, master-planned development that will consist of residential, office, retail and hotel facilities. The development and the sellout of the property will take place over a 10 to 20 year period. The first phase of commercial development, consisting of 200,000 square feet of office space, 108,000 square feet of retail space, and a 300 room hotel, is being developed through a partnership between Harbour Island Inc. and Lincoln Property Company of Dallas. Construction has begun on the first residential condominium village, which will contain 72 luxury waterfront homes. Occupancy is expected in late 1985 for the first phase of these units.

Harbour Island Inc., through its subsidiary, Wasco Properties, Inc., also owns a 270 acre tract of commercially zoned real estate in north Houston, Texas.

Western Auto Supply Company

Western Auto had another good year in 1984. Net income increased 7.1% to $16.6 million from $15.5 million in 1983, as net sales and other revenue rose 7.3%. Earnings included $2.4 million in net, aftertax gains on the sales of real estate. In 1983 similar special gains totaled $4.5 million. Accordingly, Western's true operating earnings increased an excellent 29.1% to $14.2 million from $11.0 million in 1983. Subsidiary corporation Eva Gabor International (82.5%-owned), an importer of women's wigs from the Orient, continued its strong performance. Conversely, subsidiary corporation Midland International, an importer of CB radios, car stereos and other mobile communications equipment (also from the Far East) made a reduced contribution to earnings as it liquidated excess inventories of telephones.

Western Auto made excellent progress in 1984 in refining its merchandising focus on the automotive supply market, concentrating on the "do-it-yourself" consumer. During the year, 47 more company-owned stores were converted to Western's automotive supermarket concept, featuring value-driven merchandise selections in a unique, efficient, uniform store environment. A total of 152 stores have now been converted out of the total company-owned stores of 197, with the remainder scheduled for conversion in 1985. Outstanding sales increases were generated in the newly-converted stores, and good

volume gains continued in the outlets converted in 1981, 1982, and 1983. Total company-owned store sales rose a strong 16.4% to $192.4 million from $165.4 million in 1983. Average sales per store increased an excellent 24.4%.

Wholesale sales gains to the franchised independent dealer network were somewhat sluggish, largely reflecting a continued pruning of marginal dealers. The number of active dealers at year end was 2,072 compared to 2,340 at the end of 1983. Thus, although wholesale merchandise sales increased only 3.5% to $436.1 million, average sales per dealer rose a more substantial 15.1%.

Transfer of the company-owned automotive store expertise to the dealer network is an important ingredient of Western's strategic plan. Selected associate stores are being encouraged to adopt an automotive-dominant format, while maintaining some commitment to other merchandise lines (mainly home appliances, electronics, lawn and garden equipment, and bicycles) in generally less competitive rural markets. Under this "Flag Store" program, automotive product selection and layout emulate company stores. During 1984, 101 associate stores converted to the Flag Store concept, bringing the total to 183. Substantial numbers of additional conversions are anticipated in each of the next few years.

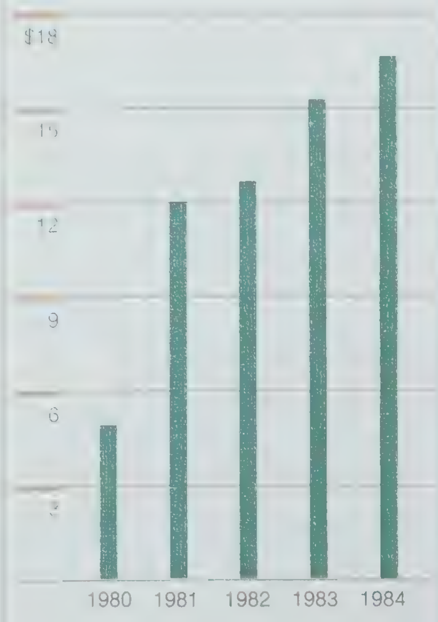
These programs are rapidly solving what had been Western's historical weakness—the absence of a proven merchandising focus and uniformity in its stores. To be blunt, many Western Auto outlets had come to look cluttered, and were simply not inviting places to shop. Moreover, low volume helped to create a high expense structure resulting in uncompetitive pricing, which further served to discourage shoppers. The massive turnaround that Western's management has accomplished over the past five years will eliminate these problems by establishing a clear merchandising focus and identity for the company and associate stores.

Costs of this major repositioning of the company have been substantial, with most of the one-time store conversion and advertising costs expensed as incurred. Nevertheless, Western's earnings have increased in every year since 1979 reflecting relatively rapid maturation of converted stores and, importantly, significant gains in operating efficiency.

Since 1980, five distribution centers have been closed, with their operations consolidated into the five remaining centers that are newer, larger, and much more efficient, particularly given the reduction in overhead generated by the consolidation program. A by-product of the program has been the

Western Auto posts another good year in '84, with net income increasing 7.1% and aftertax operating earnings rising 29%.

Western Auto Net Income
(in millions)



Western Auto is positioned to accomplish its goal of becoming America's dominant marketer of automotive supplies to the "do-it-yourself" consumer.

substantial capital gains taken on the sale of centers over the past several years. A sixth consolidation will finalize this program in 1985. Western's four remaining distribution centers are key corporate assets—large, relatively new, well located—with the capacity to handle substantially greater amounts of merchandise each year.

Another factor helping to buoy earnings has been a significant improvement in the profitability of Western's credit operations through improved credit quality and increased operating efficiency. At the same time that merchandising operations were being refocused, Western's credit operations went through a major transformation from an individual store installment contract system to a centralized revolving charge plan. Development of this "Total Charge" revolving credit plan provides the stores with a valuable sales tool. Western had total receivables at year end of $146.7 million, largely generated from consumer purchases through the associate store dealer network, where availability of credit is an important advantage.

Finally, improvements in transportation efficiency from the distribution centers to the stores has also reduced costs. The entire truck fleet is now owned by Western Auto and maintained in company shops at the respective distribution centers. A back haul program (from merchandise suppliers to the distribution centers) has been developed to further reduce freight costs.

All of the above programs constituted an enormous task of transforming virtually the entire company—a task that has demanded new skills and talents not previously existing in the organization. Accordingly, the turnaround has been carried out against a backdrop of a major cutback of personnel, coupled with massive retraining programs and the hiring of selected key managers from the outside. Clearly, Western Auto has made huge changes over the past five years, yet has still managed to increase its profits annually. Nevertheless, substantial work remains to be done, as earnings must nearly double to justify our investment.

Western's strategy is now clearly developed, with encouraging results to date, and the major repositioning programs are largely complete. Western Auto is now prepared to move aggressively forward in the marketplace with a clear merchandising strategy, attractive stores, and a highly competent staff that is committed to the strategic direction. The company is well on the road towards reaching its goal of becoming America's dominant marketer of automotive supplies to the "do-it-yourself" consumer.

Beneficial Corporation and Consolidated Subsidiaries

Balance Sheet

(in millions) December 31	1984	1983
Assets		
Cash	$ 30.7	$ 22.1
Finance Receivables	5,721.7	5,237.3
Less Unearned Finance Charges	(354.2)	(353.0)
Principal of Finance Receivables (Note 2)	5,367.5	4,884.3
Less Reserve for Credit Losses	(212.4)	(205.4)
Insurance Policy and Claim Reserves (applicable to finance receivables)	(117.6)	(123.7)
Net Finance Receivables	5,037.5	4,555.2
Net Receivables Acquired From Merchandising Division (Note 3)	61.9	54.1
Other Receivables	299.9	185.1
Investments (Note 4)	1,635.8	1,309.9
Equity in Net Assets of Merchandising Division (Page 49)	186.1	184.5
Property and Equipment (at cost, less accumulated depreciation of $40.0 and $36.8)	116.5	98.3
Other Assets (Note 5)	352.5	307.1
Total	$7,720.9	$6,716.3
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 6)		
U.S. Currency	$ 679.4	$ 306.8
Foreign Currencies	156.1	202.8
	835.5	509.6
Deposits Payable (includes employee thrift deposits)	253.0	230.5
Accounts Payable and Accrued Liabilities (Note 7)	431.4	318.6
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	1,243.7	862.9
Long-Term Debt (Note 8)	3,964.5	3,841.7
Total Liabilities	6,728.1	5,763.3
Redeemable Preferred Stock (Note 10)	125.0	125.0
Other Preferred Stock (Note 9)	115.8	115.8
Common Stock (60.0 shares authorized, 22.3 shares issued and outstanding) (Note 9)	22.3	22.3
Additional Capital (Note 8)	63.5	63.3
Net Unrealized Loss on Equity Securities (Note 4)	(16.0)	(12.7)
Accumulated Foreign Currency Translation Adjustments (Note 11)	(18.4)	(15.9)
Retained Earnings (Note 8)	700.6	655.2
Total	$7,720.9	$6,716.3

See Notes to Financial Statements.

Management's Discussion and Analysis of Financial Condition (amounts in millions)

The year 1984 was a period of growth for Beneficial. The receivable portfolio grew $484 despite the sale during the year of its Australian and Japanese subsidiaries, with receivables of $216. The growth was principally in real estate secured loans ($205) and in credit card receivables ($277). At December 31, 1984, the receivable portfolio mix was 54% real estate secured, 22% personal unsecured, 14% credit card, 6% sales finance contracts and 4% lease and commercial finance.

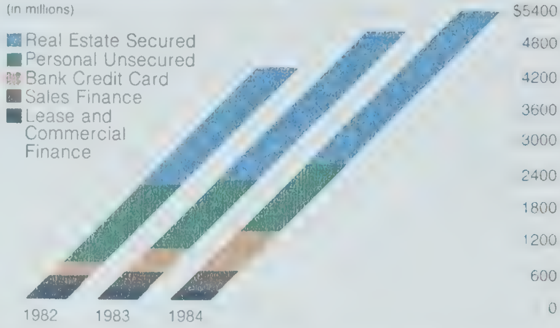
Charge-off experience and delinquency have shown improvement in total. Consumer loan balances more than two months delinquent improved substantially to .74% of loan receivables at the end of 1984, from .97% and 1.37% at December 31, 1983 and 1982. Reflecting the industry trend, credit card balances more than two months delinquent increased from 1.10% at the end of 1983 to 1.28% at the end of 1984. The overall credit quality of the portfolio has shown steady improvement. The reserve for credit losses as a percentage of total finance receivables was 3.96% at December 31, 1984, and 4.21% at year end 1983.

Short-term debt (including consumer deposits) increased to $1,088.5 at December 31, 1984 and was 22% of total debt versus 16% at December 31, 1983. The Company held a higher percentage of short-term debt in 1984 because of an increasing amount of variable rate assets. During 1984, $871.9 of long-term debt, having a weighted average interest rate of 12.67%, was issued, replacing $580.3 of maturing debt, which had a weighted average interest rate of 10.67%. The sale of Australian operations resulted in the elimination of $135.1 of long-term debt (and $46.8 of short-term debt) from the balance sheet.

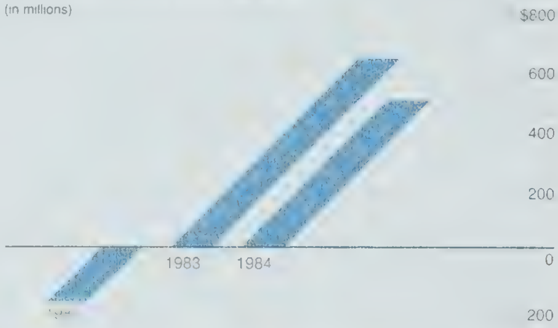
Insurance policy and claim reserves increased $374.7 or 38% from December 31, 1983 to $1,361.3 at December 31, 1984. The majority of this increase was attributable to higher annuity writings with the remainder due to higher property and casualty claim reserves.

The Company's debt to equity (including redeemable preferred stock) ratio was 5.09 to 1 at December 31, 1984 and 4.81 to 1 at December 31, 1983. The higher leverage resulted from increased borrowings to support increased finance receivables.

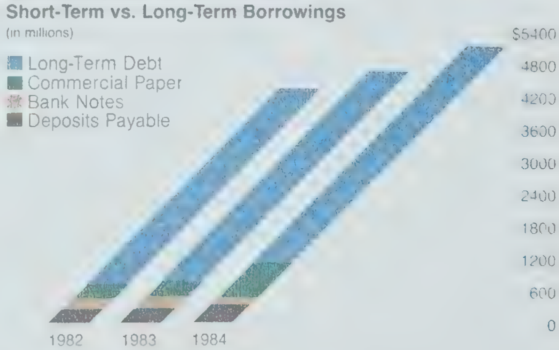
Principal of Finance Receivables
(in millions)



Growth in Finance Receivables
(in millions)



Short-Term vs. Long-Term Borrowings
(in millions)



Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1984	1983	(in millions)	1984	1983	1982
		Finance Division			
$472.9	$420.8	**Revenue**	**$1,804.6**	$1,581.9	$1,497.6
		Expenses			
194.0	147.2	Insurance Benefits and Policy Reserve Increase	**628.6**	482.7	422.8
126.3	104.6	Interest	**471.6**	390.3	418.0
41.3	43.1	Salaries and Employee Benefits	**184.8**	179.4	179.0
30.0	25.9	Provision for Credit Losses (less recoveries)	**88.3**	103.0	114.9
75.1	71.5	Other	**296.6**	262.4	238.1
466.7	392.3	Total	**1,669.9**	1,417.8	1,372.8
6.2	28.5	**Income Before Income Taxes**	**134.7**	164.1	124.8
(21.6)	1.8	Provision for Income Taxes (Note 13)	**21.1**	49.8	38.4
27.8	26.7	**Income From Finance Division**	**113.6**	114.3	86.4
6.2	5.4	**Income From Merchandising Division**	**16.6**	15.5	12.6
		Corporate Expense, After Income Taxes			
(1.7)	(1.4)	Administrative	**(6.3)**	(5.9)	(5.7)
(4.5)	(4.8)	Interest	**(17.6)**	(18.3)	(15.0)
27.8	25.9	**Income From Continuing Operations**	**106.3**	105.6	78.3
—	—	**Loss From Discontinued Operations (Note 17)**	—	—	(109.7)
27.8	25.9	**Net Income (Loss)**	**106.3**	105.6	(31.4)
687.3	644.0	Retained Earnings, Beginning of Period	**655.2**	610.8	703.1
14.5	14.7	Dividends Paid	**60.9**	61.2	60.9
$700.6	$655.2	**Retained Earnings, End of Period**	**$ 700.6**	$ 655.2	$ 610.8
		Earnings Per Common Share			
$ 1.07	$ .97	Continuing Operations	**$ 4.02**	$ 3.96	$ 2.73
—	—	Discontinued Operations	—	—	(4.90)
$ 1.07	$ 97	Net Income (Loss)	**$ 4.02**	$ 3.96	$ (2.17)
$ 23.7	$ 21.7	**Earnings (Loss) Available for Common Shares**	**$ 89.3**	$ 88.6	$ (48.5)
.50	.50	**Dividends Per Common Share**	**2.00**	2.00	2.00
22.2	22.4	**Average Outstanding Common Shares**	**22.2**	22.4	22.4

See Notes to Financial Statements.

Management's Discussion and Analysis of Results of Operations (amounts in millions)

Finance Division revenue increased 14% in 1984 and 6% in 1983 after a 1% decrease in 1982. The increase in 1984 was due in part to an increase in finance charges, up 13% in 1984 after little change in 1983 and 1982. The 13% growth in finance charges lagged the 16% growth in average receivables from 1983 to 1984 because of a smaller percentage of higher-yielding unsecured loans in the portfolio and lower rates of charge on real estate secured loans. In 1983 finance charges increased 1% on a 5% gain in average receivables because of the increasing proportion of lower-yielding real estate loans and lower rates of charge. Other revenues declined moderately in 1984. Insurance premium revenue was up roughly 13% in both 1984 and 1983 after a minor decrease in 1982. The increase in 1984 was due primarily to higher annuity and property and casualty writings offset in part by the termination of a large life reinsurance contract that reduced life premium revenue. The increase in 1983 was due to higher annuity and life writings offset somewhat by lower property and casualty writings. Insurance investment income totaling $142.1 in 1984, $101.2 in 1983, and $93.5 in 1982 continued to increase largely due to a higher level of investments.

Interest expense increased 21% in 1984 and decreased 7% in 1983 and 9% in 1982. About 69% of the increase in 1984 resulted from more borrowing with 31% due to higher interest rates. The preponderance of the 1983 decline and half of the 1982 decrease resulted from lower average interest rates with the remainder due to reduced borrowings.

The provision for credit losses dropped 14% in 1984 and 10% in 1983, after increasing slightly in 1982. The declines resulted from better credit quality and the changing composition of the portfolio. Charge-offs as a percentage of average receivables improved to 1.27% from 1.73% and 2.45% in 1983 and 1982.

Insurance benefits and policy reserve increase consists of two elements. The increase in "insurance benefits" of 62% in 1984 versus a 31% decrease in 1983 after remaining stable in 1982 was primarily a result of poor underwriting experience in the property and casualty business and an increase in annuity benefit payments emanating from the higher levels of annuity premium writings in recent years. The 1983 decline was largely attributable to a lower level of non-property and casualty reinsurance. The property and casualty loss ratios were 134% in 1984, 101% in 1983, and 95% in 1982; the increases were a result of adverse loss development. The 1983 decline in "insurance benefits" was more than offset by the growth in "policy reserve increase" caused by higher ordinary life and annuity premium writings.

The Finance Division effective income tax rates were 15.7%, 30.3%, and 30.8% in 1984, 1983 and 1982. The rates were lower than the U.S. statutory tax rate of 46% principally because of a lower effective tax rate for the insurance operations, and additionally in 1982 from filing a consolidated tax return with the Savings and Loan Division. For 1984, taxes were reduced by $14.0 representing the effect of 1984 changes in the tax law for life insurance companies ("fresh start" adjustment). In addition, also in 1984, the amount of foreign income subject to taxes was reduced resulting in an additional tax savings of $6.4 million.

The Finance Division's income before income taxes decreased 18% in 1984; however, aftertax income from Finance Division remained flat due to a lower effective tax rate as discussed above. These results reflect a 16% increase in consumer finance income entirely offset by lower insurance earnings as increased losses in property and casualty reinsurance more than offset improved profitability in other insurance lines. To contain the problem, contracts of the managing general agents (MGA's) who generated the troubled property and casualty reinsurance writings were terminated, starting in 1983, as they came up for renewal. However, a significant amount of premium was generated in 1984 as a result of the reporting lags inherent in this method of operation, termination provisions in certain MGA contracts, and multi-year renewal provisions in the policies. The increases of 32% and 28% in Finance Division income in 1983 and 1982 reflected strong consumer finance earnings, offset in part by lower insurance earnings.

Merchandising Division net income increased 7% in 1984, 23% in 1983 and 5% in 1982, while sales and other revenue increased 7% and 8% in 1984 and 1983 but decreased 7% in 1982. 1984 earnings benefited from $2.4 in aftertax gains from the sale of real estate, while 1983 earnings included $4.5 in aftertax gains from the sales of warehouse facilities, warehouse leases and the repurchase of debentures. The income improvement in 1982 was due to the inclusion of $5.5 in aftertax gains on the disposal of two distribution centers and the repurchase of debentures.

Beneficial's overall net income was flat in 1984 compared to 1983 as improvement in consumer finance operations and Merchandising Division earnings was negated by the earnings decline in insurance operations. 1982 results reflected the sale of First Texas Financial Corporation, the Company's Savings and Loan Division, at an aftertax loss of $78.5.

The ratio of earnings to fixed charges (based on income from continuing operations) was 1.20 to 1 in 1984, 1.30 to 1 in 1983, and 1.22 to 1 in 1982. The 1984 decline was the result of higher interest expense and lower insurance earnings. The improvement of the ratio in 1983 and 1982 was the result of lower interest rates and improved operating efficiency.

Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1984	1983	(in millions)	1984	1983	1982
		Cash Provided by Operations and Retained in the Business			
$ 27.8	$ 25.9	Income From Continuing Operations	$ 106.3	$ 105.6	$ 78.3
		Add (Deduct) Items Not Requiring Cash Outlay			
128.3	93.3	Increase in Insurance Reserves	374.7	236.8	127.6
34.5	31.3	Provision for Credit Losses (before recoveries)	108.2	125.5	131.0
(21.0)	9.8	Provision for Deferred Income Taxes	(23.8)	18.6	8.0
(1.7)	13.0	Other	38.7	45.9	15.3
167.9	173.3	Cash Provided by Operations	604.1	532.4	360.2
		Dividends Paid			
(3.7)	(3.7)	Preferred	(16.9)	(17.1)	(17.2)
(10.8)	(11.0)	Common	(44.0)	(44.1)	(43.7)
153.4	158.6		543.2	471.2	299.3
		Financing Transactions			
245.2	(57.6)	Increase (Decrease) in Short-Term Debt	376.8	79.6	(612.4)
177.4	282.5	Long-Term Debt Issued	859.4	538.3	421.3
(130.0)	(17.7)	Long-Term Debt Paid	(580.3)	(252.3)	(208.1)
33.3	(44.7)	Increase (Decrease) in Accounts Payable	76.3	(32.3)	8.2
7.7	(1.5)	Increase (Decrease) in Deposits Payable	22.5	6.9	40.6
333.6	161.0		754.7	340.2	(350.4)
		Investments in Operations			
(259.7)	(263.4)	Decrease (Increase) in Principal of Finance Receivables (before charge-offs and foreign currency fluctuations)	(866.6)	(776.1)	(5.6)
(90.1)	(50.0)	Decrease (Increase) in Net Receivables Acquired from Merchandising Division and Other Receivables	(122.6)	(59.2)	29.3
.2	1.8	Proceeds From Sale of and Decrease in Advances to Discontinued Operations	3.5	15.4	76.7
—	—	Proceeds From Sale of Property	—	—	134.4
—	—	Proceeds from Pension Plan Restructuring	50.6	—	—
(102.4)	(25.6)	Decrease (Increase) in Investments	(329.2)	(22.4)	(182.1)
(10.6)	(2.0)	Additions to Property and Equipment (net)	(29.7)	(7.5)	(52.2)
(9.7)	23.5	Other	4.7	12.9	48.5
(472.3)	(315.7)		(1,289.3)	(836.9)	49.0
14.7	3.9	Increase (Decrease) in Cash	8.6	(25.5)	(2.1)
16.0	18.2	Cash at Beginning of Period	22.1	47.6	49.7
$ 30.7	$ 22.1	Cash at End of Period	$ 30.7	$ 22.1	$ 47.6

See Notes to Financial Statements.

Management's Discussion and Analysis of Changes in Financial Position (amounts in millions)

Beneficial's principal sources of cash for the three years were collections of finance receivables, cash provided by operations and proceeds from the issuance of long and short-term debt.

As a percentage of average monthly balances, monthly cash principal collections from customers decreased to 4.05% in 1984 from 4.22% in 1983 due to a reduction in prepayments and the increasing amount of longer term real estate secured loans in the portfolio. The percentage of monthly cash principal collections to average monthly balances increased to 4.22% in 1983 from 3.64% in 1982 due to prepayments of higher rate real estate loans and improved delinquency.

Commercial paper supported by bank lines of credit and revolving credit lines represent the primary source of short-term debt for the Company. At December 31, 1984, the unused portions of all lines of credit were $567.3.

The Company relies heavily on the issuance of long-term debt to finance its operations. One of the Company's major financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets. During 1984 the Company registered $500 for a shelf offering under Rule 415 of which $325 was still available at year end. Due to the Company's substantial access to worldwide credit sources as well as regular cash collections, the Company has strong liquidity.

In 1984 the Company received $50.6 in excess assets from restructuring its domestic pension plan and is amortizing the excess against future pension expense. In 1982 the Company received approximately $50 in proceeds from the sale of Spiegel, Inc. Also in 1982 the Company sold for $134.4 and then leased back an office complex in Peapack, New Jersey.

Beneficial's principal uses of cash have been for loans to customers, payments of maturing debt, purchases of investments and dividends paid to shareholders.

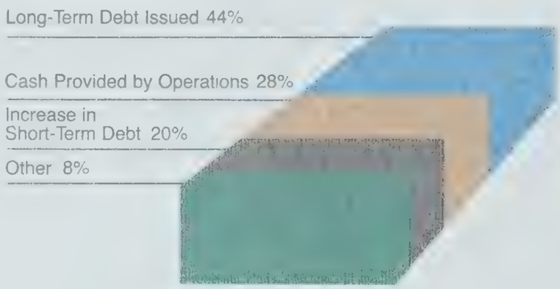
The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and cash flow from operations.

Supplementary Financial Data Adjusted for General Inflation is on page 46.

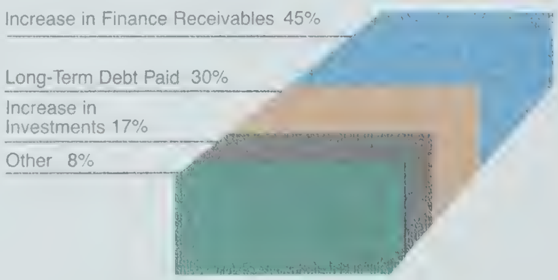
Management's Discussion and Analysis for the Merchandising Division is on page 51.

Long-Term Debt Issued During the Year
(in millions)

Sources of Cash 1984



Uses of Cash 1984



Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after inter-company eliminations, the accounts of all significant subsidiaries except the Merchandising Division (Western Auto Supply Company and subsidiaries), which is accounted for under the equity method, and discontinued operations. Financial statements for the Merchandising Division are presented on pages 49-55.

Certain prior period amounts have been reclassified to conform with the 1984 presentation.

b) Finance Operations. The financial statements except for certain consumer finance revenue are prepared on the accrual basis.

Finance charges on discounted loans are generally taken into income as earned and collected under the sum-of-the-digits method. Interest from interest-bearing direct cash loans is taken into income as collected. Finance charges on bank credit card receivables are taken into income as earned.

Receivables considered to be uncollectible or to require disproportionate collection costs are charged to the reserve for credit losses, but collection efforts are generally continued.

c) Insurance Operations. Insurance subsidiaries are engaged primarily in writing credit life, credit accident and health, property and liability insurance and annuities. Premiums on credit life insurance are taken into income on the sum-of-the-digits method when the insured amounts decrease with collections, or on the straight-line method over the lives of the policies in the case of level-term contracts. Premiums on credit accident and health contracts are generally taken into income on an average of the sum-of-the-digits and the straight-line methods. Property and liability premiums are taken into income on the straight-line method. Premiums on life insurance and annuities are recognized as income when due.

Policy reserves for credit life, credit accident and health, and property and liability are equal to related unearned premiums. Credit accident and health reserves are adjusted to reflect claim experience. Liabilities for future life insurance benefits and annuity policies are accrued when premium revenue is recognized and have been computed using assumptions as to investment yields, mortality, morbidity and withdrawals and are presented net of reinsurance ceded.

Liabilities for policy and contract claims are based upon estimates of payments to be made for individual claims and claim expenses reported and for those losses and claim expenses incurred but unreported. Such estimates are reviewed regularly and any changes in the estimates are recognized in income currently.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to premium revenue.

d) Valuation of Investments. Debt securities are carried at amortized cost, equity securities (substantially all marketable) are generally carried at market value, and other investments are carried at cost. The adjustment of the carrying amount of marketable equity securities from cost to market value is not reflected in the income statement but is recorded directly in shareholders' equity through a valuation allowance.

e) Corporate Expense. Administrative expenses related to general corporate activities and interest expense related to the investment in certain businesses have been removed from the Finance Division, specifically the Consumer Finance Group segment, and are presented separately, as these costs are common expenses not applicable to a particular division or group. Corporate expenses are shown net of related income tax effects of \$20.1, \$20.4 and \$17.5 in 1984, 1983 and 1982.

f) Interest Expense. Total interest costs incurred amounted to \$504.0 in 1984, \$424.1 in 1983 and \$464.3 in 1982, including interest of \$.1, \$.1 and \$7.9 capitalized on qualifying assets.

g) Amortization of Excess Cost of Net Assets Acquired. Excess cost applicable to acquisitions before November 1, 1970 is not being amortized. Excess cost applicable to subsequent acquisitions is being amortized over 40 years.

h) Earnings Per Common Share. Earnings per common share is computed by deducting from net income dividend requirements on preferred stocks and dividing the remainder by average shares outstanding and their equivalents. None of the preferred stocks are common stock equivalents.

2. Finance Receivables

The principal of finance receivables and maximum term (in months from origination) are as follows:

	Amount		Maximum Term	
December 31	1984	1983	1984	1983
			(months)	
Real Estate Secured Loans	$2,909	$2,704	180	180
Personal Unsecured Loans	1,209	1,257	120	120
Bank Credit Card Receivables	749	472	60	60
Sales Finance Contracts	311	218	60	60
Lease and Commercial Finance Receivables	190	233	300	300
Total Principal of Finance Receivables	$5,368	$4,884		

Scheduled contractual payments of finance receivables to be received after December 31, 1984 are as follows:

	1985	1986	1987	1988	Beyond
Real Estate Secured Loans	18%	13%	13%	13%	43%
Personal Unsecured Loans	43	30	15	6	6
Bank Credit Card Receivables	21	16	14	13	36
Sales Finance Contracts	58	21	9	5	7
Lease and Commercial Finance Receivables	11	8	5	3	73
Overall	26	18	13	11	32

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $2,528.6 for 1984 and $2,244.2 for 1983.

The percentage of monthly cash principal collections to average monthly balances was 4.05% for 1984 and 4.22% for 1983.

3. Net Receivables Acquired From Merchandising Division

Customer receivables of Western Auto retail and associate stores are purchased, with recourse, from Western Auto, which maintains the reserve for credit losses applicable to these receivables. The accounts had a weighted average maturity of 10 months at December 31, 1984.

4. Investments

Investments are principally Insurance Group long-term investments. Equity securities had a cost of $145.8 at December 31, 1984 and $127.1 at December 31, 1983.

Investments consist of the following:

December 31	1984		1983	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Certificates of Deposit	$ 107.5	$ 107.5	$ 116.6	$ 116.6
Commercial Paper	18.3	18.3	60.5	60.5
U.S. Government Obligations	365.5	365.9	244.6	240.4
Foreign Government and Agency Obligations	44.0	38.9	74.7	68.9
Municipal Bonds	339.8	259.9	314.7	230.4
Convertible Bonds	3.8	3.4	3.7	3.3
Non-Convertible Bonds	400.8	403.5	216.9	206.4
Other	213.1	213.1	150.6	150.5
	1,492.8	1,410.5	1,182.3	1,077.0
Equity Securities				
Preferred Stocks	53.3	53.3	54.7	54.7
Common Stocks	76.5	76.5	59.7	59.7
	129.8	129.8	114.4	114.4
Other	13.2	13.2	13.2	13.2
Total Investments	$1,635.8	$1,553.5	$1,309.9	$1,204.6

Net unrealized loss on equity securities is as follows:

December 31	1984	1983
Unrealized Losses	$(19.0)	$(18.9)
Less Unrealized Gains	3.0	6.2
Net Unrealized Loss	$(16.0)	$(12.7)

Realized gains and losses are determined on the specific cost identification basis.

Notes to Financial Statements (continued)
(amounts in millions)

5. Other Assets

December 31	1984	1983
Accrued Interest on Investments	$ 31.3	$ 25.8
Excess Cost of Net Assets Acquired	74.1	78.8
Investments in and Advances to Discontinued Operations	14.1	17.6
Prepaid Expenses	21.2	23.7
Property Acquired by Foreclosure	10.9	9.8
Recoverable Income Taxes	5.8	—
Unamortized Insurance Policy Acquisition Costs	98.8	84.5
Unamortized Long-Term Debt Expense	31.8	22.0
Other	64.5	44.9
Total Other Assets	$352.5	$307.1

The portion of excess cost of net assets acquired being amortized at December 31, 1984 and 1983 was $48.9 and $53.7.

6. Short-Term Debt

December 31	1984	1983
Banks	$220.8	$270.7
Commercial Paper	614.7	238.9
Total Short-Term Debt	$835.5	$509.6

Average interest rates (excluding compensating balances and commitment fees) on borrowings outstanding at year end follow:

	1984	1983	1982
Bank Borrowings	10.87%	10.85%	12.34%
Commercial Paper	9.38	9.65	9.26

The unused portion of bank lines of credit at December 31, 1984 and 1983 was $567.3 and $689.6. During 1984 the Company renegotiated the fee structure for maintaining its credit lines, providing for a fee of ¼% per annum on its domestic lines of credit and eliminating compensating balance requirements. At December 31, 1983 compensating balances were $14.7.

The weighted average annual interest rates (including the effect of compensating balances and commitment fees) and additional data for short-term debt are as follows:

	1984	1983	1982
Maximum Amount at Any Month End	$841.3	$583.0	$899.9
Daily Average Amount	642.9	442.4	531.1
Average Interest Rates on Borrowings During the Year			
U.S. Dollar	10.72%	10.24%	14.84%
Foreign Currency	12.50	11.43	15.71
Overall	11.33	10.78	15.33

The Company has effectively fixed the rate of interest paid on $117.0 of short-term borrowings at an average melded rate of 11.54% by entering into interest exchange agreements having contractual terms ranging from seven to ten years.

7. Accounts Payable and Accrued Liabilities

December 31	1984	1983
Accounts Payable	$117.5	$ 79.2
Accrued and Deferred Compensation	22.7	17.9
Accrued Interest	116.0	104.6
Dealer Reserves	16.4	17.8
Unamortized Proceeds from Pension Plan Restructuring	44.3	—
Deferred Income Taxes	26.4	35.3
Insurance Premiums Payable	67.3	42.5
Other	20.8	21.3
Total Accounts Payable and Accrued Liabilities	$431.4	$318.6

8. Long-Term Debt and Restrictions on Additional Capital and Retained Earnings

Long-term debt outstanding was as follows:

December 31	1984	1983
By Currency		
United States	$3,790.0	$3,517.5
Australian	—	116.5
British	70.0	75.8
Canadian	87.6	102.7
Other	102.8	118.9
Unamortized Discount	(85.9)	(89.7)
Total Long-Term Debt	$3,964.5	$3,841.7
By Maturity		
1984	$ —	$ 580.2
1985	365.3	341.1
1986	311.8	317.1
1987	590.8	605.9
1988	394.9	309.6
1989	253.6	137.5
1990–1994	1,274.0	799.5
1995–1999	240.5	240.5
2000–2004	300.0	300.0
2005–2013	319.5	300.0
Unamortized Discount	(85.9)	(89.7)
Total Long-Term Debt	$3,964.5	$3,841.7
Subordinated Debt Included Above	$ 50.0	$ 50.0
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	10.41%	10.01%

Long-term debt at December 31, 1984 included $401.3 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable.

Certain indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1984 and 1983, the amounts of all unrestricted additional capital and retained earnings, under the most restrictive of these covenants, were approximately $349.7 and $405.4.

Changes in additional capital are not material.

9. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding	December 31 1984	1983
Preferred—no par value (issuable in series). Authorized, 500,000 9.25% Series Redeemable Preferred—$1,000 stated value.	125,000	125,000
Preferred—$1 par value. Authorized, 2,500,000	—	—
5% Cumulative Preferred—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $6,589,100 and $6,895,400). Authorized, 1,164,077	65,891	68,954
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	836,585	836,585
Common—$1 par value. Authorized, 60,000,000	22,335,519(b	22,321,740(b
After deducting treasury shares		
a) 5% Cumulative Preferred	178,012	178,012
b) Common	4,751,012	4,751,012

At December 31, 1984, the Company had reserved 907,150 authorized but unissued shares of Common Stock for conversion of the $5.50 Preferred and the conversion of outstanding convertible 10.5% Instalment Notes.

Notes to Financial Statements (continued)
(amounts in millions)

10. Redeemable Preferred Stock

Dividends on the 9.25% Series Redeemable Preferred Stock, which are cumulative, are payable quarterly at $23.125 per share. Beginning November 15, 1985 and annually through November 15, 1999, the Company is required to redeem 8,333 shares of the stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative. The Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. Unless dividend and sinking fund payments on this stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. The Company has the right to redeem the stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock, the holders of the 9.25% Series Preferred Stock with the holders of other series of the Preferred Stock voting as a class would be entitled to elect two members of the Board of Directors.

11. Accumulated Foreign Currency Translation Adjustments

Assets and liabilities in foreign currencies are translated at the market rate at each balance sheet date. Foreign operating results are translated at the average market rate for each period covered by the statement of income.

An analysis of changes in accumulated foreign currency translation adjustments follows:

December 31	1984	1983
Balance at Beginning of Year	$(15.9)	$(12.6)
Adjustments for the Year	2.6	(.5)
Related Income Taxes	(12.2)	(2.8)
Sales of Subsidiaries (net of taxes)	7.1	—
Balance at End of Year	$(18.4)	$(15.9)

12. Employee Retirement Plans

During 1983 the Company terminated its domestic retirement plan and replaced it with a restructured program providing the participants with equal or increased future retirement benefits. The restructured program covers substantially all employees in the United States. All participants in the terminated plan were 100% vested, and annuity contracts were purchased to provide benefits. Excess assets of $50.6 were returned to the Company and are being amortized against future retirement plan costs.

Total pension expense for domestic operations was $1.1, $.3, and $3.5 for 1984, 1983 and 1982. The Company has made annual contributions to the plans at least equal to the amounts accrued for retirement expense. Pension expense for the Company's foreign subsidiaries is immaterial.

Accumulated plan benefits and plan net assets for the Company's domestic benefit plan are:

January 1	1984
Actuarial Present Value of Accumulated Plan Benefits	
Vested	$ .5
Nonvested	4.1
Total Actuarial Present Value of Accumulated Plan Benefits	$4.6
Net Assets Available for Benefits	$1.1

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1984.

13. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including those in the Merchandising Division and, prior to its disposition, the Savings and Loan Division. Income taxes, whether payable currently or in the future, are provided on reported earnings. U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as these earnings are expected to be permanently invested in foreign countries.

The provision for income taxes is comprised of:

	1984	1983	1982
Current			
U.S.	$28.7	$ 8.7	$14.8
Foreign	7.9	16.3	14.1
Total	36.6	25.0	28.9
Deferred			
U.S.	(26.0)	17.4	5.9
Foreign	2.2	1.2	2.1
Total	(23.8)	18.6	8.0
Investment Tax Credit Deferred	2.0	—	—
State and Local	6.3	6.2	1.5
Total Provision for Income Taxes	$21.1	$49.8	$38.4

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes and relate to:

	1984	1983	1982
Differences Between Cash and Accrual Basis	$ 1.7	$ 7.5	$ (6.3)
Insurance Benefits Provided	(11.2)	4.2	.5
Leasing Transactions	8.5	18.4	17.5
Provision for Credit Losses	(.7)	(.6)	(1.1)
Tax Credits Applied to Deferred Taxes	9.0	(9.0)	—
Insurance Policy Acquisition Costs	4.6	.5	(.2)
Recomputation of Insurance Reserves	(14.0)	—	—
Deferred Retirement Plan Credits	(20.4)	—	—
Other	(1.3)	(2.4)	(2.4)
Total Provision for Deferred Income Taxes	$(23.8)	$18.6	$ 8.0

The provision for income taxes for 1984 was reduced by $14.0, representing the effect of 1984 changes in the tax law for life insurance companies. A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the tax provision as reported follows:

	1984	1983	1982
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From:			
Differences Between U.S. Rate and Effective Foreign Tax Rates	(3.5)	(1.8)	4.1
Lower Effective Tax Rate for Insurance Subsidiaries	(8.5)	(7.3)	(15.2)
Foreign Tax Credit	(3.4)	(2.6)	—
Investment Tax Credit	(1.6)	(4.2)	(1.5)
State and Local Income Taxes, After Federal Income Taxes	2.5	2.0	.6
Tax Benefit From Filing Consolidated Tax Return with Savings and Loan Division	—	—	(8.8)
Recomputation of Insurance Reserves	(10.4)	—	—
Other	(5.4)	(1.8)	5.6
Effective Tax Rate	15.7%	30.3%	30.8%

14. Leases

The Company's consumer finance system operates from premises under leases generally having an original term of five years with a renewal option for a like term. The Company also leases an office complex with a primary term of twenty-eight years and renewal options totalling forty-seven years. Data processing equipment lease terms range from two to five years and are generally renewable. The minimum rental commitments under noncancelable operating leases at December 31, 1984 are as follows:

1985	$ 25.8
1986	22.1
1987	24.4
1988	26.7
1989	24.5
1990–1994	117.2
1995–2015	417.2
Total	$657.9

Notes to Financial Statements (concluded)
(amounts in millions)

15. Segment Information

The Company's principal operations are comprised of two divisions: the Finance Division and a non-consolidated Merchandising Division, which is reported on page 49. The Finance Division is comprised of the Consumer Finance Group and the Insurance Group for which segment data is presented on pages 47 and 48. Intersegment eliminations are not material.

Operations of the Finance Division are primarily in the United States. Foreign operations are conducted through subsidiaries in Canada, the United Kingdom, West Germany and other countries. Operations in Australia and Japan with finance receivables of $216.3 were sold during 1984 for approximately net book value.

The Company generally attempts to limit its aftertax exposure to foreign exchange fluctuations by borrowing or selling forward in the same currencies as its assets. In the aggregate, amounts denominated in foreign currencies after translation to U.S. dollar equivalents are:

December 31	1984	1983
Assets	$ 642.2	$758.7
Liabilities	804.2	729.5
Net Assets (Liabilities)	$(162.0)	$ 29.2

Data by geographic area follows:

	Revenue			Income Before Income Taxes			Identifiable Assets	
	1984	1983	1982	1984	1983	1982	1984	1983
Geographic Area								
United States	$1,592.0	$1,411.5	$1,315.8	$112.8	$134.9	$ 96.1	$6,926.1	$5,922.0
Foreign	309.4	244.5	252.7	21.9	29.2	28.7	1,604.6	1,413.5
Intersegment Eliminations	(96.8)	(74.1)	(70.9)	—	—	—	(809.8)	(619.2)
Total	$1,804.6	$1,581.9	$1,497.6	$134.7	$164.1	$124.8	$7,720.9	$6,716.3

The assets above are classified by their identification with operations in each geographic area without regard to currency denominations.

16. Commitments and Contingent Liabilities

Subsidiaries of Harbour Island, a non-consolidated subsidiary, have entered into joint ventures as limited partners to construct a hotel, an office complex and a specialty retail complex on real estate Harbour Island owns in Tampa, Florida. The joint ventures have secured construction and permanent financing for the projects from a major lending institution. These projects are expected to be completed by mid-1985 at a total cost of approximately $70.0. Beneficial will be contingently liable for the outstanding balances of all project loans in the event the infrastructure improvements (estimated cost, $30.0) are not timely completed.

At December 31, 1984, Beneficial was contingently liable for an agreement relating to the financing and development of a condominium project in Texas, entered into by Wasco Properties, Inc., a non-consolidated subsidiary. Pursuant to the agreement, the subsidiary would be obligated to a maximum of $62.0 plus accrued interest, should there occur certain events and subject to other terms and conditions specified in the underlying financing agreement, to purchase from the project developer condominium units which at the time had not been sold to third parties.

17. Discontinued Operations

The sale of the Company's wholly-owned Savings and Loan Division to unaffiliated third parties for $14.0 of notes was recorded as of August 31, 1982. The transaction, completed on November 3, 1982, resulted in a loss on disposal of $78.5 (after an income tax benefit of $10.8), $3.51 per share. The loss on disposal and the loss from operations prior to August 31, 1982 ($25.3 after an income tax benefit of $11.7) are included in discontinued operations in the income statement. Interest expense related to the investments in discontinued operations, also included in loss from discontinued operations, is $5.9, net of the related income tax effect of $5.0. Revenues from discontinued operations were $163.5.

18. Selected Financial Data

Selected unaudited financial data required by the Securities and Exchange Commission are included in the Data by Calendar Quarter—Supplemental Information, page 56, and in the Eleven-Year Summary—Supplemental Information, page 58.

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1984 and 1983 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Beneficial Acceptance Corporation (a consolidated subsidiary), which statements reflect assets of $61.9 and $89.4 million at December 31, 1984 and 1983 and revenue of $14.7, $14.4 and $21.7 million, respectively, for each of the three years ended December 31, 1984. We also did not examine the financial statements of the Merchandising Division, the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements of the aforementioned company and division were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such company and division, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1984 and 1983 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1984 in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 7, 1985

Supplementary Financial Data Adjusted for General Inflation (amounts in millions)

The Financial Accounting Standards Board in its Statement No. 33 requires that selected historical financial data be restated to reflect the effects of inflation using two methods of measurement: the constant dollar method and the current cost method. The constant dollar method requires that the historical cost data of the primary financial statements be adjusted for general inflation using the Consumer Price Index for All Urban Consumers (CPI-U). The current cost method requires that the historical cost data of the primary financial statements be adjusted for the effects of changes in values of specific assets. Property and equipment, the specific asset of the Company affected by the requirement, is relatively insignificant to the operations of the Company. Because current cost amounts do not differ materially from the constant dollar method, current cost data are not presented.

The table below shows the effect of adjusting selected financial data to average 1984 dollars. As most of the Company's assets and liabilities are monetary in nature and fixed in terms of the amount of cash to be received or paid, they require no adjustment to income from continuing operations. Property and equipment was restated to average 1984 dollars using the CPI-U, which resulted in higher depreciation expense and consequently reduced income from continuing operations by $2.0. FAS No. 33 requires that no adjustment be made to the provision for income taxes for the additional depreciation expense. Revenue and other expense items were not restated as they are assumed to have occurred proportionately to the CPI-U over the course of the year.

The decline in purchasing power of net monetary assets held is shown as a separate line item and is not included as an adjustment to income from continuing operations.

Net assets at year-end 1984 were calculated by reducing shareholders' equity by the historical cost of property and equipment and converting the remaining shareholders' equity to average 1984 dollars. To this figure is added the constant dollar property and equipment balance. The data presented herein should not be viewed as a precise calculation of the effects of inflation.

Management Strategies for Coping With Inflation

The current year benefited from a moderate inflationary environment in contrast to the high rates of inflation which plagued the economy through the late 1970's and early 1980's. Continued implementation of various corporate programs ensure that resources are efficiently utilized and costs are adequately controlled. The Company is originating an increasing amount of variable rate assets which are funded by short-term debt. In addition, the Company is rapidly expanding its bank credit card business. This business provides pricing protection in some cases against volatility in short-term interest rates. Management believes these practices will help contribute to the maximization of profitability in an inflationary environment.

Five-Year Summary of Selected Supplementary Financial Data Adjusted for General Inflation (Unaudited) (in 1984 dollars)

Years Ended December 31	1984	1983	1982	1981	1980
Revenue	$1,804.6	$1,645.2	$1,617.4	$1,721.3	$1,856.1
Income From Continuing Operations	104.3	107.7	83.1	71.6	120.8
Net Assets at Year End	996.2	1,007.2	989.7	1,140.9	1,334.5
Per Common Share					
Income From Continuing Operations	3.93	4.03	2.87	2.34	4.45
Cash Dividends	2.00	2.08	2.16	2.28	2.52
Market Price at Year End	33.28	35.10	26.46	22.94	27.56
Decline in Purchasing Power of Net Monetary Assets Held	23.4	21.1	15.6	38.9	67.7
Average Consumer Price Index	311.1	298.4	289.1	272.4	246.8

Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1984	1983	(in millions)	1984	1983	1982
		Net Finance Revenue			
$271.3	$237.9	Finance Charges and Fees	$1,035.7	$ 919.7	$ 910.4
119.4	99.2	Interest Expense	448.0	369.1	388.5
151.9	138.7	Gross Margin	587.7	550.6	521.9
7.6	13.4	Other Revenue	59.3	64.2	43.4
159.5	152.1	Total	647.0	614.8	565.3
		Operating Expenses			
36.5	39.5	Salaries and Employee Benefits	169.0	165.6	166.5
30.0	25.9	Provision for Credit Losses (less recoveries)	88.3	103.0	114.9
12.2	11.9	Rent	49.0	47.1	39.2
3.3	6.7	Advertising	21.1	21.7	12.5
2.7	2.4	Depreciation	11.0	11.2	12.8
2.0	1.9	Postage and Express	8.0	8.1	8.7
2.8	2.3	Printing and Stationery	10.5	8.5	8.6
3.6	3.6	Telephone	16.0	15.9	17.8
2.5	2.6	Travel	9.6	10.2	10.0
16.2	16.8	Other	66.3	59.4	56.2
111.8	113.6	Total	448.8	450.7	447.2
47.7	38.5	**Income Before Income Taxes**	198.2	164.1	118.1
21.4	14.6	Provision for Income Taxes	86.5	68.0	53.9
$ 26.3	$ 23.9	**Net Income**	$ 111.7	$ 96.1	$ 64.2

Supplemental Information

		During the Period			
$851.7	$796.2	New Funds Lent to Customers	$3,172.5	$2,804.0	$1,716.5
49.8	52.1	Principal of Finance Receivables Purchased	249.6	188.2	114.9
22.3	22.9	Finance Receivables Charged Off (less recoveries)	70.4	83.6	114.3
19.92	19.99	Annual Percentage Rate of Finance Charges and Fees Collected	19.89	20.53	21.25
		Average Amount of Transaction (in dollars)	$ 2,306	$ 2,589	$ 2,262
		At End of Period			
		Total Assets	$5,629.2	$5,133.1	$4,699.3
		Number of Consumer Finance Offices	1,155	1,347	1,444

Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1984	1983	(in millions)	1984	1983	1982
		Revenue			
$151.7	$144.4	Premium Revenue	$ 565.1	$ 500.8	$ 446.4
39.8	28.4	Investment Income (net)	142.1	101.2	93.5
2.2	2.0	Other Income	8.9	7.7	12.0
193.7	174.8	Total	716.1	609.7	551.9
		Benefits and Expenses			
126.8	52.3	Policy Benefits	386.2	238.2	347.1
67.2	94.9	Policy Reserve Increase	242.4	244.5	75.7
20.2	22.2	Commissions and Brokerage	104.2	81.6	63.6
4.8	3.6	Salaries and Employee Benefits	15.8	13.8	12.6
4.5	(2.0)	Decrease (Increase) in Unamortized Policy Acquisition Costs	(14.3)	(14.4)	(.8)
1.8	1.8	Licenses and Taxes	6.3	5.9	5.6
7.2	7.7	Other Expenses	25.0	24.2	18.1
232.5	180.5	Total	765.6	593.8	521.9
(38.8)	(5.7)	**Income (Loss) Before Income Taxes**	(49.5)	15.9	30.0
(41.5)	(10.7)	Provision for Income Taxes	(58.0)	(10.2)	(4.3)
2.7	5.0	**Income Before Realized Net Investment Gain**	8.5	26.1	34.3
2.6	.6	Realized Net Investment Gain, After Income Taxes	6.2	3.5	3.2
5.3	5.6	**Income Before Interest Allocation**	14.7	29.6	37.5
(3.8)	(2.8)	Interest Expense Related to Investment in Insurance Group, After Income Taxes	(12.8)	(11.4)	(15.3)
$ 1.5	$ 2.8	**Net Income**	$ 1.9	$ 18.2	$ 22.2

Supplemental Information

		During the Period			
$161.4	$144.5	Premiums Written	$ 598.0	$ 505.7	$ 453.2
1.42	1.47	Ratio of Premiums Written to Shareholder's Equity (annualized)	1.31	1.29	1.27
		At End of Period			
		Investments	$1,568.7	$1,189.2	$1,082.0
		Unamortized Policy Acquisition Costs	98.8	84.5	70.1
		Total Assets	1,921.1	1,519.0	1,319.8
		Insurance Policy and Claim Reserves	1,361.3	986.6	749.8
		Shareholder's Equity	455.5	393.2	356.0
		Life Insurance in Force	7,230.2	7,115.6	6,783.6

Balance Sheet

(in millions) December 29, 1984 and December 31, 1983	1984	1983
Assets		
Current Assets		
Cash	$ 12.6	$ 9.2
Receivables	226.3	223.9
Less Unearned Finance Charges	(2.1)	(4.8)
Allowance for Doubtful Receivables	(15.6)	(16.2)
Receivables Sold to Beneficial (Note 6)	(61.9)	(54.1)
Net Receivables	146.7	148.8
Equity in Receivables Sold to Beneficial (Note 6)	3.2	2.9
Inventories	132.9	130.7
Other Current Assets	16.5	10.1
Total Current Assets	311.9	301.7
Property and Equipment (at cost, less accumulated depreciation of $46.9 and $42.8)	50.5	48.9
Other Assets	.4	.3
Total	$362.8	$350.9
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts Payable	$ 53.9	$ 56.5
Payable to Beneficial	42.1	29.6
Other Current Liabilities (Note 2)	49.6	48.4
Total Current Liabilities	145.6	134.5
Long-Term Debt (Note 3)	23.1	24.2
Deferred Federal Income Taxes (Note 5)	8.0	7.7
Total Liabilities	176.7	166.4
Shareholder's Equity (includes retained earnings of $111.7 and $110.1) (Note 3)	186.1	184.5
Total	$362.8	$350.9

See Notes to Financial Statements.

Statement of Income and Retained Earnings

(Unaudited) Thirteen Weeks Ended December 29, 1984 Three Months Ended December 31, 1983			Years Ended December 29, 1984 December 31, 1983 and December 31, 1982		
1984	1983	(in millions)	1984	1983	1982
$172.2	$165.8	**Net Sales and Other Revenue**	$697.7	$650.3	$599.7
		Expenses			
135.4	131.2	Cost of Sales (includes certain buying and occupancy expenses)	551.3	518.5	480.2
26.3	25.2	Selling and Administrative (Note 6)	111.8	105.5	100.8
—	.7	Provision for Early Retirement Costs	—	.7	1.4
2.1	1.1	Interest	8.0	4.8	3.8
(1.8)	(1.0)	Gain on Sale of Real Estate (Note 8)	(3.5)	(5.3)	(6.6)
162.0	157.2	Total	667.6	624.2	579.6
10.2	8.6	Income Before Income Taxes and Extraordinary Item	30.1	26.1	20.1
4.0	4.0	Provision for Income Taxes (Note 5)	13.5	11.4	8.5
6.2	4.6	**Income Before Extraordinary Item**	16.6	14.7	11.6
—	.8	Extraordinary Item—Gain on Repurchase of Debentures, After Income Taxes of $.7 and $1.0 (Note 3)	—	.8	1.0
6.2	5.4	**Net Income**	16.6	15.5	12.6
120.5	118.7	Retained Earnings, Beginning of Period	110.1	108.6	121.0
15.0	14.0	Dividends	15.0	14.0	25.0
$111.7	$110.1	**Retained Earnings, End of Period**	$111.7	$110.1	$108.6

See Notes to Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations (amounts in millions)

Introduction

The expansion of the automotive supermarket strategy initiated in 1981 accelerated in 1984. During the year, 47 company owned stores were converted or opened and 101 associate store owners converted their stores. As of December 29, 1984 the company is operating 152 automotive supermarkets and 183 associate store owners have completed converting their stores. Sales in company owned automotive supermarkets increased approximately 31% in 1984 due largely to increasing sales in existing automotive supermarkets, while the rest of the increase resulted from opening new company owned automotive supermarkets during 1984. Further expansion is planned in 1985.

In 1984 the company sold three underutilized distribution facilities that had been closed and subleased in prior years for an aftertax gain of $2.4. This is a continuation of the company's program, started in 1982, of asset redeployment to achieve efficiency and increased productivity. For the three year period ended December 29, 1984 aftertax gains of $10.6 have been realized from sales of underutilized facilities. A distribution facility closed in December 1984 is currently offered for sale.

Results of Operations

Net sales and other revenue increased 7% and 8% in 1984 and 1983, after a decrease of 7% in 1982. The increases in 1984 and 1983 were the combined result of expansion to automotive supermarket outlets and improved economic conditions. The decline in 1982 was the result of closing unprofitable outlets and a deteriorating economic environment.

Cost of sales as a percentage of net sales remained relatively constant throughout the three years. Selling and administrative expenses increased roughly 5% in both 1984 and 1983 after decreasing 2% in 1982. The increases in 1984 and 1983 were largely the result of inflationary pressures and costs associated with conversion to the automotive supermarket concept. The 1982 decline was caused by operating efficiencies resulting from the closing of underutilized distribution facilities. Interest expense increased $3.2 and $1.0 in 1984 and 1983 and declined $.9 in 1982 primarily as a result of changes in borrowing levels.

Reported earnings for Western Auto have improved for each of the three years ended December 29, 1984. This improvement is the result of increased operating efficiencies, sales of underutilized facilities, expansion of the automotive business, and improved general economic conditions.

Capital Resources & Liquidity

The Merchandising Division finances its operations largely through the sale of consumer receivables to Beneficial and the cash flow from operations.

Net working capital decreased from $177.9 as of January 1, 1982 to $166.3 at December 29, 1984, after reducing long-term debt by $8.6 and paying dividends to Beneficial of $25.0 in 1982, $14.0 in 1983 and $15.0 in 1984.

Statement of Changes in Financial Position

(Unaudited) Thirteen Weeks Ended December 29, 1984	Three Months Ended December 31, 1983		Years Ended December 29, 1984, December 31, 1983 and December 31, 1982		
1984	1983	(in millions)	1984	1983	1982
		Source of Funds			
$ 6.2	$ 4.6	Income Before Extraordinary Item	$16.6	$14.7	$ 11.6
		Items Not Requiring (Providing) Working Capital			
1.8	1.7	Depreciation	6.8	6.2	6.5
.3	—	Provision for Deferred Income Taxes	.3	—	(.3)
8.3	6.3	Funds Provided by Operations Before Extraordinary Item	23.7	20.9	17.8
—	.8	Extraordinary Item—Gain on Repurchase of Debentures	—	.8	1.0
8.3	7.1	Funds Provided by Operations	23.7	21.7	18.8
—	—	Long-Term Debt Issued	—	—	3.0
2.5	.5	Disposal of Property and Equipment	2.9	1.1	4.0
(.1)	.1	Other	(.1)	.2	.1
$ 10.7	$ 7.7		$26.5	$23.0	$ 25.9
		Application of Funds			
$ 2.1	$ 2.1	Additions to Property and Equipment	$11.3	$ 6.7	$ 3.4
.7	5.4	Long-Term Debt Paid	1.1	6.5	4.0
15.0	14.0	Dividends Paid	15.0	14.0	25.0
(7.1)	(13.8)	Increase (Decrease) in Working Capital	(.9)	(4.2)	(6.5)
$ 10.7	$ 7.7		$26.5	$23.0	$ 25.9
		Changes in Working Capital			
		Increase (Decrease) in Current Assets			
$ 2.2	$ (3.6)	Cash	$ 3.4	$ (2.8)	$ 4.5
(11.2)	(6.1)	Net Receivables	(2.1)	18.7	5.4
.3	(.7)	Equity in Receivables Sold to Beneficial	.3	(1.5)	(2.2)
1.8	(4.0)	Inventories	2.2	12.1	(17.3)
5.8	1.3	Other Current Assets	6.4	(6.5)	10.5
(1.1)	(13.1)		10.2	20.0	.9
		Increase (Decrease) in Current Liabilities			
3.3	(2.3)	Accounts Payable	(2.6)	14.0	3.6
1.9	4.6	Payable to Beneficial	12.5	14.8	6.7
.8	(1.6)	Other Current Liabilities	1.2	(4.6)	(2.9)
6.0	.7		11.1	24.2	7.4
$ (7.1)	$(13.8)	**Increase (Decrease) in Working Capital**	$ (.9)	$ (4.2)	$ (6.5)

See Notes to Financial Statements.

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The Merchandising Division is comprised of Western Auto Supply Company and subsidiaries.

b) Fiscal Year. During 1984 Western Auto changed its annual accounting period to a fiscal year ending the Saturday nearest to December 31.

c) Receivables and Finance Charges. Receivables consist of the following: retail and associate store customer instalment accounts for which finance charges are taken into income by the sum-of-the-digits method; revolving accounts for which finance charges are taken into income when billed to the customers; and amounts due from associate store owners for which there are no finance charges if payment is received within the trade terms.

Receivables becoming due in more than one year of $66.0 and $60.7 at year end 1984 and 1983 are included in current receivables in accordance with merchandising industry practice.

d) Inventories. Inventories are stated at the lower of cost (first-in, first-out) or replacement market, after considering obsolescence.

e) Income Taxes. Results of operations are included in the consolidated federal income tax return of Beneficial. The provision for federal income taxes for financial statement purposes is approximately the same as it would have been had Western Auto filed a separate return. Deferred income tax charges of $4.0 and $5.4 for 1984 and 1983 are included in Other Current Assets.

f) Property and Equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized. Upon the sale, replacement or retirement of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts, and any gain or loss is reflected in income.

g) Employee Retirement Plans. Current retirement plan costs and amortization of prior service costs over a forty-year period are charged to expense. The cost of retiree health care and life insurance benefits is charged to expense as claims and/or premiums are paid.

h) Accrual for Merchandise Warranties. Accruals are provided for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Other Current Liabilites

	1984	1983
Accrued Merchandise Warranties	**$14.9**	$15.0
Accrued Salaries and Wages	**8.0**	7.8
Other	**26.7**	25.6
Total Other Current Liabilities	**$49.6**	$48.4

3. Long-Term Debt and Restrictions on Retained Earnings

Long-term debt outstanding is as follows:

	1984	1983
Instalment Notes, 14.75%	**$ .3**	$ 1.4
Sinking Fund Debentures, 7.85% Due 1996, With Annual Payments	**23.1**	23.9
	23.4	25.3
Less Long-Term Debt Due Within One Year	**(.3)**	(1.1)
Long-Term Debt	**$23.1**	$24.2

Annual long-term debt and sinking fund payments are $.3 in 1985 and $23.1 in 1990 and thereafter.

During 1983 and 1982, Western Auto purchased for $3.6 and $2.7 and retired $5.1 and $4.7 of outstanding debentures resulting in aftertax gains of $.8 and $1.0.

Notes to Financial Statements (concluded)
(amounts in millions)

At December 29, 1984, the 7.85% debentures sinking fund requirement has been met through 1989 and a portion of 1990 through the purchase and retirement of the debentures.

The indenture relating to the 7.85% sinking fund debentures contains covenants that restrict the payment of dividends, restrict the purchase and retirement of Western Auto capital stock and limit investments and indebtedness. The amount of unrestricted retained earnings was $27.1 at December 29, 1984 and $28.4 at December 31, 1983.

4. Employee Benefit Plans

Western Auto and its subsidiaries have trusteed profit sharing plans, and Western Auto has a trusteed retirement plan for substantially all full-time employees.

Contributions to the retirement plan charged to earnings for 1984, 1983 and 1982 were $4.3, $3.8 and $4.0. Western Auto and its subsidiaries contributed $.5 and $.7 to the profit sharing plan in 1984 and 1983. No contributions were made for 1982. Accumulated plan benefits and plan net assets for the defined benefit retirement plan were as follows:

January 1	1984	1983	1982
Actuarial Present Value of Accumulated Plan Benefits			
Vested	$32.5	$30.4	$20.1
Nonvested	3.3	3.0	2.2
Total Actuarial Present Value of Accumulated Plan Benefits	$35.8	$33.4	$22.3
Net Assets Available for Benefits	$61.0	$54.1	$41.9

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 10.0% in 1984, 9.0% in 1983 and 12.3% in 1982.

5. Income Taxes

The provision for income taxes is comprised of:

	1984	1983	1982
Current	$10.2	$10.8	$ 9.4
Deferred	1.5	(.6)	(2.1)
State and Local	1.8	1.2	1.2
Total Provision for Income Taxes	$13.5	$11.4	$ 8.5

Deferred federal income taxes result from timing differences in recognition of income and expense for tax and financial statement purposes and relate to:

	1984	1983	1982
Income From Credit Sales	$ (.2)	$ (.6)	$(2.7)
Depreciation	.2	—	.2
Provision for Doubtful Receivables	.3	(.2)	(.3)
Advertising Costs	.5	.4	—
Store Closings	.4	(.1)	.1
Gain on Sale of Real Estate	—	(.8)	.8
Dumping Duty	—	1.1	—
Other	.3	(.4)	(.2)
Total Provision for Deferred Income Taxes	$1.5	$ (.6)	$(2.1)

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the reported tax provision follows:

	1984	1983	1982
Statutory U.S. Tax Rate	46.0%	46.0%	46.0%
Increase (Decrease) Resulting From			
Gain on Sale of Real Estate Taxed at Lower Effective Rates	(2.1)	(3.6)	(5.9)
State Income Taxes, After Federal Income Taxes	3.2	2.5	3.2
Investment Tax Credit	(1.4)	(.3)	(.5)
Other	(.8)	(.8)	(.3)
Effective Tax Rate	44.9%	43.8%	42.5%

6. Transactions with Affiliates

Western Auto sells, with recourse, to Beneficial customer receivables generated by retail stores and associate stores. Western Auto is paid 95% of the gross customer receivables sold and maintains the reserve for credit losses applicable to these receivables. Western Auto guarantees that earnings before interest and income taxes related to the receivables sold will not be less than 150% of interest requirements on debt and rentals for leased properties related directly to these receivables. Administration of the credit function for these receivables is performed by Western Auto. During 1984, 1983 and 1982, Beneficial paid Western Auto $14.7, $14.4 and $18.1 for administration of the receivables. This is reflected as a reduction of selling and administrative expense. The average of the month-end balances of receivables sold to Beneficial was $67.0, $70.1 and $102.4 for 1984, 1983 and 1982. Interest charged by Beneficial on intercompany borrowings included in interest expense was $5.1, $1.8, and $.6 for 1984, 1983, and 1982.

7. Leases

Western Auto and its subsidiaries occupy retail stores and use certain equipment and facilities under various operating leases. Rent expense, principally for retail facilities, for 1984, 1983 and 1982 was $8.6, $8.2 and $8.6. Lease commitments on real property at December 29, 1984 are:

1985	$ 5.8
1986	5.2
1987	4.3
1988	3.2
1989	2.4
1990-1994	5.1
1995-1999	1.7
2000-2004	.1
Total	$27.8

It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum annual lease commitments will not be less than those shown for 1985. The minimum annual rentals do not include maintenance costs, real estate taxes, insurance, or additional amounts payable on a percentage of sales.

8. Sale of Capital Assets

In 1984 Western Auto sold two distribution centers and one warehouse facility which resulted in a gain of $3.5 ($2.4 aftertax). In 1983 two warehouse facilities were sold resulting in a gain of $1.8 ($1.2 aftertax), and long-term leases on warehouse facilities were sold at a gain of $3.5 ($2.5 aftertax). In 1982 two distribution centers were sold resulting in a gain of $6.6 ($4.5 aftertax).

9. Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

Supplementary inflation adjusted information prepared in accordance with Financial Accounting Standard No. 33 is included in the Form 10-K of Western Auto filed with the Securities and Exchange Commission.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the consolidated balance sheets of Beneficial Corporation Merchandising Division as of December 29, 1984 and December 31, 1983 and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the three year period ended December 29, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Beneficial Corporation Merchandising Division at December 29, 1984 and December 31, 1983 and the results of its operations and changes in its financial position for each of the years in the three year period ended December 29, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
January 25,1985

Data by Calendar Quarter

Supplemental Information			1984
(in millions, except per share figures)	First Quarter	Second Quarter	Third Quarter
Revenue			
Finance Division	$445.1	$ 480.1	$ 406.5
Merchandising Division	172.1	186.3	167.1
Total	$617.2	$ 666.4	$ 573.6
Operating Income			
Finance Division	$ 46.1	$ 43.2	$ 39.2
Merchandising Division	5.4	6.4	6.4
Total	$ 51.5	$ 49.6	$ 45.6
Net Income			
Finance Division	$ 29.1	$ 26.5	$ 30.2
Merchandising Division	3.1	4.0	3.3
Corporate Expense, After Income Taxes	(6.0)	(5.8)	(5.9)
Net Income	$ 26.2	$ 24.7	$ 27.6
Earnings Per Common Share	$ .98	$ .91	$ 1.06
Common Stock			
High Sales Price	$35.50	$27.875	$ 32.25
Low Sales Price	25.25	23.00	24.125
Dividends Paid Per Share	.50	.50	.50

		1983				
Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
$472.9	$1,804.6	$ 378.6	$ 388.2	$ 394.3	$420.8	$1,581.9
172.2	697.7	150.7	172.0	161.8	165.8	650.3
$645.1	$2,502.3	$ 529.3	$ 560.2	$ 556.1	$586.6	$2,232.2
$ 6.2	$ 134.7	$ 39.9	$ 46.1	$ 49.6	$ 28.5	$ 164.1
8.4	26.6	3.0	5.4	4.8	7.6	20.8
$ 14.6	$ 161.3	$ 42.9	$ 51.5	$ 54.4	$ 36.1	$ 184.9
$ 27.8	$ 113.6	$ 26.9	$ 30.9	$ 29.8	$ 26.7	$ 114.3
6.2	16.6	4.0	3.0	3.1	5.4	15.5
(6.2)	(23.9)	(6.0)	(6.1)	(5.9)	(6.2)	(24.2)
$ 27.8	$ 106.3	$ 24.9	$ 27.8	$ 27.0	$ 25.9	$ 105.6
$ 1.07	$ 4.02	$ .92	$ 1.05	$ 1.02	$ .97	$ 3.96
$34.00		$ 24.50	$ 30.00	$ 34.50	$34.50	
27.75		19.625	26.875	26.875	31.75	
.50	$ 2.00	.50	.50	.50	.50	$ 2.00

Eleven-Year Summary

Supplemental Information (amounts in millions, except where noted)	1984	1983
During The Year		
Consolidated		
Income From Continuing Operations	$ 106.3	105.6
Income (Loss) From Discontinued Operations	$ —	—
Net Income (Loss)	$ 106.3	105.6
Earnings Per Common Share (dollars)		
Continuing Operations	$ 4.02	3.96
Discontinued Operations	$ —	—
Net Income (Loss)	$ 4.02	3.96
Average Number of Common Shares	22.2	22.4
Dividends Paid Per Common Share (dollars)	$ 2.00	2.00
% Return on Average Assets (c)	1.47	1.68
% Return on Average Equity (includes redeemable preferred stock) (c)	11.03	11.34
Finance Division		
% of Monthly Cash Principal Collections to Average Monthly Balances	4.05	4.22
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	1.27	1.73
Revenue	$1,804.6	1,581.9
Interest	$ 471.6	390.3
Provision for Credit Losses (less recoveries)	$ 88.3	103.0
Total Expenses	$1,669.9	1,417.8
Income Before Income Taxes	$ 134.7	164.1
Income From the Consumer Finance Group	$ 111.7	96.1
Income From the Insurance Group	$ 1.9	18.2
Income From Finance Division	$ 113.6	114.3
Merchandising Division		
Net Sales and Other Revenue	$ 697.7	650.3
Income (Loss) Before Income Taxes	$ 30.1	26.1
Income (Loss) From Merchandising Division	$ 16.6	14.7(a)
Corporate Expense, After Income Taxes	$ (23.9)	(24.2)
At Year End		
Consolidated		
Total Assets	$7,720.9	6,716.3
Short-Term Debt (bank notes and commercial paper)	$ 835.5	509.6
Long-Term Debt	$3,964.5	3,841.7
Redeemable Preferred Stock	$ 125.0	125.0
Shareholders' Equity (includes redeemable preferred stock)	$ 992.8	953.0
Number of Employees	13,500	13,200
Number of Holders of Common Shares	25,700	27,400
Finance Division		
Principal of Finance Receivables	$5,367.5	4,884.3
Reserve for Credit Losses	$ 212.4	205.4
% of Reserve for Credit Losses to Principal of Finance Receivables	3.96	4.21
% of Finance Receivables (account balances, loans only) with Payments More Than Two Months Delinquent:		
Loans Only (based upon recency of payment) (b)	.74	.97
Bank Credit Cards (based upon contractual terms) (d)	1.28	1.10
Number of Accounts	2.3	2.1
Average Loan Balance (dollars) (b)	$ 4,069	3,741
Average Credit Card Balance (dollars) (d)	$ 1,222	1,164
Average Account Balance (dollars)	$ 2,335	2,313

(a) Excludes extraordinary credit of $.8 in 1983, $1.0 in 1982 and $12.1 in 1974.
(b) Loans include real estate secured and personal unsecured loans.

1982	1981	1980	1979	1978	1977	1976	1975	1974
78.3	66.7	99.9	87.3	93.8	82.3	97.7	71.3	60.8(a)
(109.7)	(74.4)	(6.1)	13.0	4.5	3.4	2.7	2.1	2.9
(31.4)	(7.7)	93.8	100.3	98.3	85.7	100.4	73.4	63.7(a)
2.73	2.22	3.71	3.62	3.98	3.48	4.39	3.23	2.68(a)
(4.90)	(3.33)	(.27)	.59	.21	.16	.13	.11	.15
(2.17)	(1.11)	3.44	4.21	4.19	3.64	4.52	3.34	2.83(a)
22.4	22.3	22.3	22.2	22.1	21.8	20.4	19.1	19.1
2.00	2.00	2.00	1.95	1.70	1.60	1.4375	1.25	1.25
1.28	1.07	1.64	1.90	2.65	2.72	3.74	2.95	2.54
8.02	6.34	9.41	9.31	10.88	10.10	12.75	10.05	9.19
3.64	3.85	4.01	4.37	4.43	4.34	4.35	4.28	4.45
2.45	2.17	2.34	1.87	1.57	1.74	2.04	2.42	2.12
1,497.6	1,509.9	1,473.1	1,009.7	769.5	640.4	536.5	460.3	452.5
418.0	458.7	395.4	243.8	162.4	124.1	95.6	82.7	90.8
114.9	108.3	107.2	102.4	70.9	65.7	60.4	54.8	51.1
1,372.8	1,388.2	1,308.0	846.2	587.1	478.9	395.3	341.1	343.5
124.8	110.1	163.1	164.1	180.2	158.2	136.5	113.1	97.8
64.2	16.8	54.8	57.3	66.0	60.4	55.6	43.5	42.6
22.2	50.8	50.4	46.2	38.7	28.3	19.5	16.4	9.8
86.4	67.6	105.2	103.5	104.7	88.7	75.1	59.9	52.4
599.7	645.7	669.5	750.7	745.8	801.7	847.0	653.1	643.2
20.1	21.9	9.6	(9.8)	(3.2)	2.6	59.8	37.5	29.3
11.6(a)	12.0	4.8	(4.6)	(1.7)	1.4	30.1	18.1	14.6
(20.7)	(12.9)	(10.1)	(11.6)	(9.2)	(7.8)	(7.5)	(6.7)	(6.2)
6,063.0	6,373.2	6,031.4	6,029.2	3,881.1	3,321.2	2,727.9	2,545.0	2,435.0
432.0	1,042.3	746.7	926.8	478.9	375.3	267.4	279.4	265.0
3,558.9	3,357.3	3,336.0	3,324.7	2,210.0	1,861.7	1,492.9	1,355.3	1,360.5
125.0	125.0	125.0	103.0	—	—	—	—	—
910.3	1,003.5	1,079.7	1,029.1	886.5	835.1	791.2	723.8	689.0
13,000	16,800	23,300	26,400	25,500	25,100	24,900	26,600	29,300
27,700	29,400	31,200	32,000	33,200	32,700	31,700	29,900	30,000
4,256.3	4,445.8	4,252.9	4,264.0	3,015.4	2,526.2	2,085.0	1,828.4	1,781.5
188.3	196.5	194.8	203.7	147.8	126.3	106.3	95.0	92.6
4.42	4.42	4.58	4.78	4.90	5.00	5.10	5.20	5.20
1.37	1.62	1.57	1.26	1.15	1.08	1.19	1.29	1.28
1.40	—	—	—	—	—	—	—	—
2.1	2.5	3.2	3.7	3.0	2.5	2.1	2.0	2.1
2,889	2,366	1,802	1,508	1,333	1,289	1,186	1,327	972
879	—	—	—	—	—	—	—	—
2,048	1,811	1,344	1,154	1,013	1,031	995	911	833

(c) Continuing operations only.
(d) Prior to 1982 bank credit cards were not a significant part of the receivable portfolio.

Beneficial Corporation

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Finn M. W. Caspersen	Chairman of the Board of Directors and Chief Executive Officer
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W. James Murphy	
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John France	United Kingdom Group
James L. Frans	Southern Group
Peter J. Gimino, Jr.	Southwest Group
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Forrest B. Kinney	Gulf Coast Group
Francis X. Mohan	Northeast Group
Manfred E. Niebisch	Canadian Group
Daniel Wilczek	Mid-Atlantic Group
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Anthony F. Mita	Executive Vice President —Administration
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Roland E. Reed	Executive Vice President —Underwriting
Robert Rothman	Executive Vice President and Chief Financial Officer

Western Auto Supply Company

John T. Lundegard	Chairman of the Board and Chief Executive Officer

Beneficial National Bank USA

Joseph N. Scarpinato	Chairman of the Board and Chief Executive Officer

Beneficial National Bank

James W. Wright	President and Chief Executive Officer

Beneficial Mortgage Corporation

Rolf F. Eriksen	Chairman of the Board and Chief Executive Officer

Beneficial Commercial Corporation

Larry K. Morris	President and Chief Executive Officer

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K. Martin Worthy (4)
Attorney at Law, Hamel & Park, Washington, D.C.

Directors Emeriti

Freda R. Caspersen
Thomas W. Cullen
J. Thomas Gurney
Modie J. Spiegel
Ralph B. Williams

(1) Member of Executive Committee (Finn M. W. Caspersen, Chairman)
(2) Member of Finance Committee (Robert A. Tucker, Chairman)
(3) Member of Audit Committee (Charles H. Watts, II, Chairman)
(4) Member of Compensation Committee (K. Martin Worthy, Chairman)
(5) Member of Strategic Planning and Evaluation Committee (George R. Evans, Chairman)
(6) Member of Management Development and Marketing Committee (E. Norman Veasey, Chairman)

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more, for maturities of 5 to 270 days, at competitive market rates. Daily rates for Beneficial commercial paper are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information call (201) 781-3614.

Media representatives and others seeking general information about the Company should contact Ms. Ann Stephenson at (201) 781-3880.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. William H. H. Ely at (201) 781-3609 or Ms. Claire D. Rochat at (201) 781-3607.

Stockholders seeking information about the dividend reinvestment service, securities transfer matters, and dividend payments should contact Mr. Kenneth J. Kircher at (302) 798-7102.

Copies of the Company's 10-K report to the SEC are available upon request from Mr. Kenneth J. Kircher, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Tuesday, April 30, 1985 at 11 a.m. in the Company's headquarters, Beneficial Building, 1100 Carr Road, Wilmington, Delaware.

Morgan Guaranty Trust Company of New York, New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock.

Beneficial

Beneficial Corporation
Beneficial Building, Wilmington, Delaware 19899

March 29, 1984

Dear Stockholder:

On behalf of the Board of Directors of Beneficial Corporation, I am pleased to invite you to attend the 1984 Annual Meeting of Stockholders of the Company, which will be held on Monday, April 30, 1984 at the Beneficial Building, 1100 Carr Road, Wilmington, Delaware.

The business to be transacted at the meeting is set forth in the Notice of Meeting and is more fully described in the accompanying Proxy Statement.

It is important that your shares be represented at the meeting, regardless of the number you hold. Whether or not you can be present in person, please sign, date and return your proxy in the enclosed envelope as soon as possible. If you do attend the meeting and wish to vote in person, your proxy can be revoked at your request.

In accordance with our usual practice, a summary report of the meeting will be mailed to all stockholders with the financial results of the first quarter of 1984.

We look forward to seeing you at the meeting.

Best wishes.

Finn M. W. Caspersen
Chairman of the Board

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
April 30, 1984

The annual meeting of stockholders of Beneficial Corporation, a Delaware corporation, will be held on Monday, April 30, 1984 at the office of the Company, Beneficial Building, 1100 Carr Road, Wilmington, Delaware, at 11 A.M. Wilmington time, for the following purposes:

(1) To elect directors of the Company.

(2) To ratify the selection of the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1984.

(3) To transact such other business as may properly be brought before the meeting.

Only shares of Common Stock, $4.30 Dividend Cumulative Preferred Stock and $5.50 Dividend Cumulative Convertible Preferred Stock may be voted at the meeting. The close of business on March 1, 1984 has been set as the record date for the purpose of determining stockholders entitled to notice of and to vote at the meeting. Stockholders who cannot personally attend the meeting and who wish to have their stock voted are requested to complete and sign the accompanying proxy (proxies) and return it (them) as soon as possible. No postage is required if mailed in the enclosed envelope, in the United States, its territories and possessions.

KENNETH J. KIRCHER
Vice President and Secretary

Dated: March 29, 1984

March 29, 1984

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

ANNUAL MEETING OF STOCKHOLDERS

April 30, 1984

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors for use at the annual meeting of stockholders of the Company to be held on April 30, 1984. The shares represented by each such proxy will be voted at the meeting in accordance with the specifications made thereon by the stockholder. The person giving a proxy has the power to revoke it any time before it has been voted.

VOTING SECURITIES

The close of business on March 1, 1984 has been set as the record date for the purpose of determining stockholders entitled to vote at the meeting. Each share of Common Stock and $4.30 Dividend Cumulative Preferred Stock is entitled to one vote, and each share of $5.50 Dividend Cumulative Convertible Preferred Stock is entitled to four and one-half votes. All of such classes will vote as a single class.

On March 1, 1984 the number of securities outstanding and entitled to vote was 22,093,268 shares of Common Stock, 836,585 shares of $4.30 Dividend Cumulative Preferred Stock and 68,740 shares of $5.50 Dividend Cumulative Convertible Preferred Stock. The aggregate number of votes entitled to be cast at the meeting as of March 1, 1984, with all of such classes voting as a single class, is 23,239,183.

ELECTION OF DIRECTORS

Proposal 1

It is intended that, unless authority is withheld, votes will be cast pursuant to the accompanying proxy for the election of a Board of Directors of eighteen consisting of the persons named below, all of whom are presently directors, for terms of one year and until their successors are elected. Mrs. Freda R. Caspersen, who has served on the Board for approximately twelve years, is not standing for re-election this year and the number of authorized directors will be reduced from nineteen to eighteen, effective immediately prior to commencement of the Annual Meeting. With the exceptions of Messrs. Muller and Weis, who were elected by the Board on August 23, 1983, and Mr. Lundegard, who was elected by the Board on November 18, 1983, each nominee named below was elected a director at the Company's 1983 Annual Meeting of Stockholders. Each nominee has expressed willingness to serve as a director during the coming year. The proxy may be voted for the election of other persons as directors in the event any of those named below are unable to serve for any reason.

The names of the nominees for director, together with certain information regarding them, are as follows:

Name of Director, Age, Principal Occupation and Other Affiliations	Year First Elected a Director
Cecil M. Benadom, 74 Retired; Member of Audit Committee of the Company	1965
Charles W. Bower, 62 Retired; Member of Audit Committee of the Company	1969
Robert C. Cannada, 63 Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi; Member of Compensation and Audit Committees of the Company; Director, Bank of Edwards, Edwards, Mississippi	1975
Elbert N. Carvel, 73 Vice Chairman of the Board of Trustees of University of Delaware, Newark, Delaware; Chairman of Board of Directors of Beneficial National Bank, a subsidiary of the Company	1975
Finn M. W. Caspersen, 42 Chairman of Board of Directors and Chief Executive Officer, Chairman of Executive Committee and Member of Committee on Strategic Planning and Evaluation and Finance Committee of the Company; Director, The Coleman Company, Inc., Wichita, Kansas	1975
George R. Evans, 73 Retired; Chairman of Committee on Strategic Planning and Evaluation and Member of Compensation Committee of the Company	1973
David J. Farris, 48 President and Chief Executive Officer, Chairman of Executive Committee of Beneficial Management Corporation, a subsidiary of the Company; Member of Executive Committee and Committee on Strategic Planning and Evaluation of the Company	1982
J. Robert Hillier, 46 President of The Hillier Group, architects, Princeton, New Jersey; Member of Compensation Committee and Committee on Strategic Planning and Evaluation of the Company; Director, United Jersey Bank, N.A., Princeton, New Jersey	1982
Gerald L. Holm, 45 Vice Chairman of Board of Directors, Member of Executive and Finance Committees and Committee on Strategic Planning and Evaluation of the Company	1979

Name of Director, Age, Principal Occupation and Other Affiliations	Year First Elected a Director
John T. Lundegard, 52 Chairman of Board of Directors and Chief Executive Officer of Western Auto Supply Company, a subsidiary of the Company; Director, First National Bank of Kansas City, Kansas City, Missouri	1983
Steven Muller, 56 President, The Johns Hopkins University, Baltimore, Maryland; Director, Millipore, Inc., Bedford, Massachusetts; Director, Safeway Stores, Inc., Oakland, California	1983
Susan Julia Ross, 40 Attorney at Law, Natelson and Ross, Taos, New Mexico; Member of Committee on Strategic Planning and Evaluation and Audit Committee of the Company	1979
Robert A. Tucker, 57 Member of Office of the President, First Vice President and Chief Financial Officer, Member of Executive Committee and Chairman of Finance Committee of the Company	1959
E. Norman Veasey, 51 Attorney at Law, Richards, Layton & Finger, P.A., Wilmington, Delaware; Member of Committee on Strategic Planning and Evaluation and Compensation Committee of the Company	1979
Arthur T. Ward, Jr., 72 Medical doctor and businessman, Baltimore, Maryland; Member of Committee on Strategic Planning and Evaluation and Compensation Committee of the Company	1975
Charles H. Watts, II, 57 General Director, Member of Executive Committee, Chairman of Audit Committee and Member of Committee on Strategic Planning and Evaluation of the Company; Director, Weis Markets, Inc., Sunbury, Pennsylvania	1959
Sigfried Weis, 67 President and Director, Weis Markets, Inc., Sunbury, Pennsylvania	1983
K. Martin Worthy, 63 Attorney at Law, Hamel & Park, Washington, D.C.; Chairman of Compensation Committee of the Company	1977

During the last five years the principal occupation and employment of each director has been as listed in the table above, except that the Committee on Strategic Planning and Evaluation was established in 1980, and except that:

Mr. Bower was Senior Vice President (1970 to 1981) and Treasurer (1969 to 1981) of the Company.

Mr. Evans was First Vice Chairman of the Board of Directors and Member of Office of the President (1977 to 1981) of the Company and President (1974 to 1978) and Chief Executive Officer (1978 to 1979) of Beneficial Management Corporation. From December 11, 1979 to February 5, 1980, Mr. Evans was Chairman of the Board of Directors and Chief Executive Officer of Western Auto Supply Company, a subsidiary of the Company.

Mr. Farris was Executive Vice President (1979 to 1981) and Senior Vice President (1978 to 1979) of Beneficial Management Corporation.

Mr. Holm was Executive Vice President (1979 to 1981) and Vice President (1973 to 1979) of Beneficial Management Corporation and President (1974 to 1979) of Beneficial Data Processing Corporation, a subsidiary of the Company.

Mr. Lundegard was President and Chief Executive Officer (1979 to 1980) of Gibson's Inc., Seagoville, Texas and Chief Executive Officer (1975 to 1979) of The May Company's Venture Stores, St. Louis, Missouri.

Mr. Watts was Director, Campaign for Brown University, Providence, Rhode Island (1978 to 1980).

Messrs. Carvel, Caspersen, Holm, Tucker and Watts are members of the Board of Directors of Western Auto Supply Company, a subsidiary of the Company.

The firms of Butler, Snow, O'Mara, Stevens & Cannada, of which Mr. Cannada is a member, Richards, Layton & Finger, P.A., of which Mr. Veasey is a member, and Hamel & Park, of which Mr. Worthy is a member, performed legal services in 1983 for the Company and its subsidiaries. Such firms are currently performing legal services for the Company and its subsidiaries. The Hillier Group, architects, of which Mr. Hillier is President, performed architectural services for subsidiaries of the Company in 1983 and is currently performing such services.

There are no family relationships between any nominees or any nominees and executive officers of the Company and its subsidiaries, except that Mr. George R. Evans is the father-in-law of Mr. David J. Farris.

As of February 1, 1984, the Company's directors and nominees for directors, and its directors and officers as a group, beneficially owned the amounts of equity securities of the Company shown in the following table:

	Equity Securities of the Company Beneficially Owned (1)			
Name of Person or Group	**Common Stock**	**% of Class**	**5% Pfd. Stock**	**% of Class**
Cecil M. Benadom (2) (4) (5)	113,085	*	29	*
Charles W. Bower (4) (5)	111,259	*	—	—
Robert C. Cannada (2)	3,839	*	—	—
Elbert N. Carvel (2) (3)	11,119	*	—	—
Finn M. W. Caspersen (2) (3) (4) (5) (7) (8)	794,016	3.5	2,584	*
Freda R. Caspersen (7) (9)	383,377	1.7	843	*
George R. Evans (5)	17,202	*	18	*
David J. Farris	9,787	*	—	—
J. Robert Hillier	1,135	*	—	—
Gerald L. Holm (5)	12,209	*	—	—
John T. Lundegard	7,776	*	—	—
Steven Muller	—	—	—	—
Susan Julia Ross	818	*	—	—
Robert A. Tucker (2) (4) (5) (6) (9) (10)	648,944	2.9	23,207	5.7
E. Norman Veasey	961	*	—	—
Arthur T. Ward, Jr. (2) (11)	17,798	*	420	*
Charles H. Watts, II (2) (4)	233,803	1.0	1,333	*
Sigfried Weis	32	*	—	—
K. Martin Worthy	2,335	*	—	—
All directors and officers as a group (30) persons (2) (3) (4) (5) (6) (7) (8) (9) (10) (11)	1,467,311	6.6	26,563	6.5

In addition, as of such date Mr. Tucker owned 67* shares of the Company's $4.50 Dividend Cumulative Preferred Stock as to 40 shares of which he shares voting and investment power with others.

*Less than 1.0% of class.

(1) Unless otherwise indicated below, each director possesses sole voting and investment power with respect to the shares shown opposite his or her name in the table.

(2) Includes shares of Common Stock owned by spouses or certain members of the families of nominees, as to which such nominees disclaim beneficial ownership, as follows: Mr. Benadom—378 shares; Mr. Cannada—316 shares; Mr. Carvel—2,500 shares; Mr. Caspersen—5,948 shares; Mr. Tucker—1,202 shares; Mr. Ward—10,418 shares; and Mr. Watts—11,896 shares.

(3) Includes 99 and 1,744 shares of Common Stock which Messrs. Carvel and Caspersen,respectively, received in February, 1984 under the Employees Stock Purchase Plan.

(4) Includes 205,039 shares of Common Stock held by three trusts as to which Messrs. Caspersen, Watts and others serve as trustees (sharing voting and investment power), shown as beneficially owned by each of them. As to Messrs. Benadom, Bower and Tucker, includes 99,397, 99,397 and 155,340 shares of Common Stock, respectively, held by two such trusts with respect to which they act as trustees (sharing voting and investment power), shown as beneficially owned by each of them. Also includes 596 shares of 5% Cumulative Preferred Stock ("5% Stock") owned by one such trust, shown as beneficially owned by Messrs. Caspersen, Tucker and Watts.

(5) Excludes shares owned by The Hodson Trust. For information concerning shares held by this trust see *Principal Stockholders*.

(6) Includes 276,631 shares of Common Stock and 21,879 shares of 5% Stock owned by the Beneficial Corporation and Subsidiaries Employees' Retirement Plan, as to which Mr. Tucker and four other persons serve as trustees (sharing voting and investment power), shown as beneficially owned by Mr. Tucker.

(7) Includes 295,355 shares of Common Stock as to which Mr. Caspersen and Mrs. Freda R. Caspersen share voting and investment power, shown as beneficially owned by each of them. As to 5,224 of such shares, such voting and investment power is shared with others.

(8) Includes 181,764 shares of Common Stock and 1,170 shares of 5% Stock (other than shares referred to in notes 2, 4 and 7 above) as to which Mr. Caspersen shares voting and investment power with others.

(9) Includes 59,611 shares of Common Stock and 679 shares of 5% Stock owned by the Beneficial Foundation, Inc. as to which Mrs. Caspersen, Mr. Tucker and others share voting and investment power, shown as beneficially owned by each of them.

(10) Includes 69,680 shares of Common Stock (other than those referred to in notes 2, 4, 5 and 8 above) as to which Mr. Tucker shares voting and investment power with others.

(11) Includes 4,161 shares of Common Stock and 420 shares of 5% Stock as to which Mr. Ward shares voting and investment power with others.

The Board's Audit Committee met seven times in 1983. Its duties are (a) to recommend to the Board a firm of independent public accountants to be nominated for election by the stockholders to act as the Company's independent auditors, (b) to confer with the Company's independent auditors as to the scope of their proposed audit, (c) to review the findings and recommendations of the independent auditors on completion of the audit and to consider any problems encountered by them in conducting the audit, and (d) to review the Company's internal audit controls and to provide a liaison with the Company's internal auditors. However, the Committee's duties do not include accounting and auditing management functions assigned to the Company's officers and other executives. The Board's Compensation Committee held four meetings in 1983. Its function is to fix the compensation of officers and key employees of the Company and certain subsidiaries, and to administer the Company's Key Employees Stock Bonus Plan. The Board's Finance Committee met twenty-four times in 1983. The Finance Committee, between meetings of the Board, may exercise all powers of the Board with respect to financing the operations of the Company. The Board's Executive Committee may exercise substantially all the authority of the Board (other than powers which the Board has specifically delegated to other committees) during the intervals between the meetings of the Board. In 1983 the Executive Committee of the Board held twelve meetings. The Board's Committee on Strategic Planning and Evaluation is responsible for (a) undertaking such studies and evaluations as it shall deem necessary for the current corporate strategy and the social, political and economic environment within which the Company exists, and (b) recommending to the Board such changes in the function and composition of the Board, including new or additional members, as will best equip the Board to fulfill its duties. The Committee held four meetings in 1983. The Board held four meetings during 1983. The overall attendance record of Directors of the Company at meetings of the Board and Committees of the Board during 1983 was 95.9%.

The Committee on Strategic Planning and Evaluation will consider recommendations of nominees for election to the Board submitted by stockholders. Any stockholder may recommend such nominees by writing to the Committee at the following address: Committee on Strategic Planning and Evaluation—Board of Directors, Beneficial Corporation, 1100 Carr Road, Wilmington, Delaware 19899, Attention: Kenneth J. Kircher, Vice President and Secretary.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding each person who, to the Company's knowledge, owned on the date indicated more than 5% of any class of the Company's outstanding voting securities:

Name and Address of Stockholder	Common Stock	% of Class Owned
The Hodson Trust 100 Beneficial Center Peapack, NJ 07977	1,561,247(1)	7.07
Delaware Management Company, Inc. 10 Penn Center Plaza Philadelphia, PA 19103	1,151,500(2)	5.16
FMR Corp. 82 Devonshire Street Boston, MA 02109	1,886,200(3)	8.47

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(1) As of February 1, 1984, The Hodson Trust held of record the number of shares indicated in the table, and 9,038 shares of 5% Cumulative Preferred Stock (approximately 2.2% of such class, and 4 shares of $4.30 Dividend Cumulative Preferred Stock (less than 1.0% of such class)). Messrs. Benadom, Bower, Caspersen, Evans, Holm, and Tucker and one other person serve as trustees of such trust and share voting and investment power, but have no interest in the principal or income of such trust. Such shares would be regarded as beneficially owned by each such person under Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) Based on information contained in report on Schedule 13G of Delaware Management Company, Inc. ("DMC"), dated as of February 9, 1984, filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. According to such report, DMC is the parent holding company of Delaware Investment Advisers, Inc. ("DIA"), an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Mutual funds managed by DMC and institutional accounts for which DIA provides investment advisory services are the owners of the shares. No fund or account individually owns more than 5% of the class reported. Such Schedule 13G also indicates that DMC and DIA have sole voting power with respect to 165,200 of such shares, sole investment power with respect to 400,000 of such shares, shared voting power with respect to 519,300 of such shares and shared investment power with respect to 751,500 of such shares.

(3) Based on information contained in report on Schedule 13G of FMR Corp. ("FMR"), dated February 14, 1984, filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. According to such report FMR is the parent holding company of Fidelity Management & Research Company ("FMRC"), an investment advisor registered under Section 203 of the Investment Advisers Act of 1940, and Fidelity Management Trust Company ("FMTC"), a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934. Investment companies registered under Section 8 of the Investment Company Act of 1940 for which FMRC provides investment advisory services are the owners of 1,556,700 shares or 7.0% of the Company's Common Stock. FMRC has shared investment power with respect to such shares. FMTC serves as trustee or managing agent for certain investment accounts which own 309,500 shares or 1.4% of the Company's Common Stock and has sole voting and investment power with respect to such shares. In addition, Fidelity International Limited ("FIL"), a Bermuda joint stock company and affiliate of FMR, provides investment advisory and management services to certain non-U.S. investment companies and certain institutional investors, one of which owns 20,000 shares or .09% of the Company's Common Stock. FIL has sole voting and investment power with respect to such shares. No investment company, institutional investor or account owns more than 5% of the class reported.

EXECUTIVE COMPENSATION

The following tabulation sets forth the aggregate compensation paid by the Company and its subsidiaries during 1983 to (a) each of the five most highly compensated executive officers of the Company whose total cash compensation exceeded $60,000, for services in the capacities indicated, and (b) all executive officers of the Company as a group.

(A) Name of Individual or Number of Persons In Group	(B) Capacities In Which Served	(C) Cash Compensation (*)
Finn M. W. Caspersen	Chairman of Board of Directors and Chief Executive Officer, Director, Chairman of Executive Committee, Member of Committee on Strategic Planning and Evaluation and Finance Committee of the Company	$ 552,950
David J. Farris	President and Chief Executive Officer, Chairman of Executive Committee of Beneficial Management Corporation; Director, Member of Executive Committee and Committee on Strategic Planning and Evaluation of the Company	331,450
Gerald L. Holm	Vice Chairman of Board of Directors, Director, Member of Executive and Finance Committees and Committee on Strategic Planning and Evaluation of the Company	288,700
R. Donald Quackenbush (**)	Chairman of Board of Directors of the Company's Insurance subsidiaries; Executive Vice President-Insurance of Beneficial Management Corporation; Director of the Company	253,100
Robert A. Tucker	Member of Office of the President, First Vice President and Chief Financial Officer, Director and Member of Executive Committee and Chairman of Finance Committee of the Company	327,450
19 Executive Officers as a group		3,212,175

(*) The amounts of compensation shown in this Proxy Statement have been determined in accordance with applicable regulations under the Securities Exchange Act of 1934, as amended.

(**) Retired as Chairman of Board of Directors of the Company's Insurance subsidiaries and Executive Vice President-Insurance of Beneficial Management Corporation on November 7, 1983. Also resigned from Board of Directors of the Company on that date.

COMPENSATION PLANS AND ARRANGEMENTS

Incentive Compensation Plan. This Plan was terminated by the Board of Directors during 1978 except to the extent necessary to make distributions of awards granted under the Plan prior to that date. In order to eliminate the expenses incurred in connection with the continued administration of the Plan, the Board of Directors approved the acceleration and distribution of all benefits payable under the Plan on May 25, 1983.

Under the Plan, in-service annual awards were granted to certain officers and key employees of the Company and its subsidiaries who were selected in certain years by the Compensation Committee of the Board of Directors. Awards were payable in equal quarter-annual installments over a ten-year period following termination of employment and during such period, interest was payable on cash balances and dividend equivalents were payable on shares not yet delivered.

Two types of awards, Plan A Units and Plan B Units, were granted under the Plan. Plan A Units were awarded only in 1957. Each Plan A Unit entitled a participant to an amount in cash equal to a portion of the market value of one share of the Company's Common Stock. Plan B Units were awarded in 1957 and all subsequent years through 1970. No such awards were made thereafter. Each Plan B Unit entitled a participant at retirement to one share of the Company's Common Stock and a sum, payable in cash, equal to the amount of dividends paid per share on outstanding shares of Common Stock from the time of the award to termination of employment.

On May 27, 1983 Mr. Tucker received $454,542 in cash attributable to his outstanding awards under the Plan.

Pension Plan. Upon receipt of requisite government approval, the Employees' Retirement Plan ("the prior Plan") will be terminated effective October 1, 1983 and be replaced by a new Pension Plan ("the new Plan"). The basic benefit formula under the new Plan (before the reduction discussed below) provides benefits of from 1.5% to 1.8% of Average Annual Compensation, with the benefit accrual rate increasing with increasing years of service. All employees participating in the prior Plan on October 1, 1983 will become fully vested as of such date. The new Plan is substantially similar to the prior Plan except that the maximum benefit formula has been increased from 60.00% to 65.25% of an employee's highest applicable average annual compensation for three consecutive years. Upon government approval of the termination of the prior Plan, annuity contracts will be purchased for each participant in an amount equal to his or her accrued benefit as of the termination date. All other assets of the prior Plan will revert to the Company.

In determining benefits payable under the formula set forth in the new Plan, amounts payable are reduced by (1) one-half of an employee's annual social security benefit, (2) benefits actuarially determined from employer contributions (other than salary deferral contributions) under the 401(k) Plan and the earnings thereon and (3) the amount, if any, vested under the prior Plan. The maximum annual retirement benefit under the new Plan is the lesser of (1) 65.25% of an employee's highest applicable average annual compensation for three consecutive years or (2) $90,000 (subject to cost of living adjustment) or an employee's accrued benefit under the prior Plan as of December 31, 1982, whichever is greater. The actuarial value of an employee's annual retirement benefit may be paid in a single payment upon retirement. The new Plan also contains provisions (as does the prior Plan) for early retirement benefits, disability benefits, death benefits and payments to a vested employee who leaves the employ of the Company prior to retirement.

Compensation under the new Plan is defined to include wages paid, bonuses, overtime, salary deferral contributions to the 401(k) Plan and other special earnings, but not Company contributions under the Employees' Stock Purchase Plan and the Key Employees Stock Bonus Plan, certain moving expenses, taxable group life insurance premiums, certain commissions and severance pay. For officers included in the table on page 6, compensation includes all items reported in the third column of such table, except directors' fees. Benefits under the Plan are fully vested after ten years of cumulative service or at age 65.

The following table illustrates the estimated annual benefits, based on the indicated applicable annual compensation and years of service upon retirement, payable under the new Plan (under the basic formula prior to offsets) to a participant who retires at the end of the calendar year in which age 65 is attained.

	Estimated Annual Retirement Benefit		
Applicable Average Annual Compensation	**15 years of Service**	**25 Years of Service**	**35 Years of Service**
$150,000	$34,125	$58,500	$84,375
200,000	45,500	78,000	90,000*
250,000	56,875	90,000*	90,000*
300,000	68,250	90,000*	90,000*
400,000	90,000*	90,000*	90,000*

*Unless an employee's accrued benefit as of December 31, 1982 was larger. Only Mr. Tucker has accrued benefits in excess of such amount.

Messrs. Caspersen, Farris, Holm, Quackenbush and Tucker had approximately 12, 24, 14, 24 and 30 years of service, respectively, credited under both plans through 1983.

Savings Plan ("401(k) Plan"). Under this Plan, which became effective January 1, 1984, the Company makes "basic contributions" annually of an amount, determined by the Board of Directors of up to 2.5% of each eligible employee's annual compensation, to an account established for each such employee. Participating employees may also elect to reduce their current compensation, and have salary deferral contributions made on their behalf by the Company to the Plan, in amounts up to 10% (or 15%, if permitted by the Committee) of their annual gross compensation and thereby defer federal and, in most cases, state taxes on such deferred amounts and all earnings thereon until a distribution is made under the Plan upon termination of employment. (Restrictions may be imposed, however, on the level of salary deferral contributions elected by highly compensated employees, to the extent necessary to comply with applicable non-discrimination requirements.) An employee may also elect to contribute up to 10% of his or her annual compensation on an after-tax basis and defer taxes on the earnings thereon until such amounts are withdrawn from the employee's account.

Compensation is defined in the Plan to include wages paid during the calendar year, including overtime and year-end adjustments, but not bonuses and other special forms of compensation, amounts paid under the Employees' Stock Purchase Plan or the Key Employees Stock Bonus Plan, taxable group life insurance premiums, certain moving expenses, certain commissions and severance pay. Until termination of employment, no amounts contributed under the Plan, other than after-tax contributions, may be withdrawn under the Plan. Beginning January 1, 1986, however, employees will be permitted to obtain loans, at prevailing rates, against all amounts in their accounts under the Plan.

Employees (other than seasonal employees), who have been employed by the Company or a participating subsidiary for not less than three years, are eligible to participate in the Plan. Basic contributions made by the Company are invested in a Group Annuity Contract with The Central National Life Insurance Company of Omaha (an affiliate of the Company). One or more investment funds (selected by the Committee administering the Plan) are made available for investment of salary deferral and excess voluntary contributions. Participants choose the investment fund or funds in which such contribution for them will be invested, from among the funds available. Participants are fully vested and have a nonforfeitable interest in their respective accounts at all times.

Employees' Stock Purchase Plan. Directors and eligible employees of the Company and those of participating subsidiaries, including officers, may elect to contribute funds under this Plan for the purchase of shares of the Company's Common Stock and will receive from the Company a contribution of additional shares, subject to certain vesting rights set forth in the Plan. The maximum amount which may be contributed by a participant in a calendar year may not exceed an amount equal to 20% of the participant's "Annual Compensation" (as defined in the Plan) for such year.

As shares of Common Stock purchased with the participant's contributions are credited to a participant's account, a number of unvested "share units" are also credited to the participant's account as follows: (1) for the first $1,000 contributed under the Plan in each year, each participant is credited a number of share units equal to the full number of shares credited to such participant's account; and (2) for all amounts in excess of $1,000 contributed in each year, each participant is credited a number of share units equal to 50% of the number of shares purchased with such additional funds and credited to the participant's account.

Share units entitle a participant to receive on each dividend payment date for the Company's Common Stock a cash amount equal to the amount of the dividend that such participant would have received had he or she been, on the record date for payment of such dividend, the owner of a number of shares of such stock equal to the number of such credited share units.

Share units become fully vested in a participant only after the earlier of (a) the expiration of a period of three years following the date on which such share units were credited or (b) the date on which a participant's employment or service as a director is terminated for any of the reasons set forth in the Plan. The Board of Directors may accelerate the vesting of share units in the event of a tender offer for the Common Stock.

During 1983, under the Plan, the present executive officers included in the table on page 6 received vested share units and dividends on unvested share units as follows: Mr. Caspersen—1,475 share units, $11,887 in dividends; Mr. Farris—484 share units, $2,331 in dividends; Mr. Holm—554 share units, $3,642 in dividends; Mr. Quackenbush—2,312 share units, $5,348 in dividends; the 19 executive officers eligible to participate in the Plan, as a group—3,099 share units, $39,611 in dividends.

Payroll Based Employee Stock Ownership Plan (PAYSOP). The Company's Tax Credit Employee Stock Ownership Plan (TRASOP) was amended as of January 1, 1983 to become a payroll-based plan, and was renamed accordingly. Under this Plan, the Company contributes funds which are used to purchase shares of the Company's common stock for individual accounts maintained by an independent trustee for eligible employees of the Company and participating subsidiaries. Company contributions are equal to ½% and ¾% of eligible payroll (as such term is defined in the Plan) for 1983 and 1984 and for 1985 through 1987, respectively. Allocations to employee accounts are based upon the ratio an employee's compensation bears to the total compensation of all eligible employees. No employee contributions are permitted under the amended Plan.

Compensation is defined in the Plan to include all wages paid during the calendar year, including bonuses, commissions and any other special forms of compensation, but does not include Company con-

tributions under the Employees' Stock Purchase Plan, the Key Employees Stock Bonus Plan, and the 401(k) Plan, taxable group life insurance premiums or certain moving expenses and may not in any event exceed $100,000.

Full-time salaried employees, who have been employed by the Company or a participating subsidiary for not less than three years, are eligible to participate in the Plan. Dividends received by the trustee for the account of a participant are reinvested in shares of Common Stock of the Company and shares of Common Stock purchased under the Plan are voted by the trustee in accordance with instructions received from each participant. Participants are fully vested and have a nonforfeitable interest in their respective accounts at all times. Participants are entitled to receive the shares in their respective accounts only upon retirement or termination of employment with the Company or a participating subsidiary and may elect to have the value of all or a portion of the Common Stock credited to their account distributed in cash.

At December 31, 1983, the following number of shares under the Plan stood to the credit of the present executive officers included in the table on page 6. Mr. Caspersen—1,736 shares; Mr. Farris—1,581 shares; Mr. Holm—1,736 shares; Mr. Tucker—1,659 shares; the 13 officers eligible to participate in the Plan, as a group—11,003 shares. Upon his retirement Mr. Quackenbush received 1,736 shares.

Employees' Stock Plan. Under the Plan (a) ten shares of the Company's Common Stock are distributed to each employee of the Company and any United States or foreign subsidiary engaged in the loan or sales finance businesses or related insurance activities (generally comprising the Company's Finance Division) who has recently (i) been appointed Manager and completed one year of service in such position, (ii) completed 25 years of service to the Company or a subsidiary or (iii) been promoted to "designated executive" (as defined in the Plan) and completed one year of service in such position, and (b) two shares of the Company's Common Stock are distributed to each employee of each such company who is in a position below Manager or designated executive and who was present at his or her employment during all working days of the calendar year preceding the distribution, provided that in all cases such recipient is still in the employment of the Company or such subsidiary at the time of distribution and that with respect to awards described in clause (a) above such recipient has not previously participated or been eligible to participate in the portion of the Plan which is described in such clause or any predecessor Plan. The Company or its subsidiary also pays all required withholdings for Federal, state, local and foreign income taxes, and Social Security taxes, imposed in connection with the distribution. Such withholding taxes may or may not completely liquidate the actual income tax liabilities of the employee resulting from the distribution. Deliveries of stock to employees recently becoming eligible under the Plan are made semiannually.

Key Employees Stock Bonus Plan. Under this Plan, the Board of Directors determines in each calendar year the maximum percentage (which shall not exceed 3%) of the consolidated net after-tax income of the Company and its subsidiaries (computed on a consolidated basis in accordance with generally accepted accounting principles; provided, however, that for the purpose of calculating such net income, there shall not be taken into account (i) the after-tax cost to the Company of the contribution to the Plan for such year, and (ii) extraordinary or unusual nonrecurring items that are realized otherwise than in the ordinary course of trade or business as determined by the Committee (e.g., gains or losses resulting from the sale of a subsidiary)) which may be contributed to the Plan for such year. Based upon such determination, the Compensation Committee then determines (a) the dollar amount of the contribution to the Plan for such calendar year; (b) which employees of the Company and its participating subsidiaries shall receive an award for such year; and (c) the amount of each award, based on the performance of each such employee as well as such other factors as it may determine to be appropriate.

All contributions to the Plan are held in an irrevocable trust by a bank or other institutional trustee selected by the Company (the "Trustee"). Such contributions may be in cash or treasury stock (whether or not acquired for purposes of the Plan), or any combination thereof, and all cash contributions are used by the Trustee to purchase full shares of the Company's Common Stock for the accounts of employees given awards. Cash dividends on stock purchased under the Plan are used by the Trustee to purchase additional shares of stock for the accounts to which such dividends are attributable.

Stock, cash or other property in a participant's account vests in the participant and shall be distributed to him or her by the Trustee at the earliest to occur of the following: (a) January 1 of the calendar year in which the participant attains age 60; (b) January 1 of the fifth calendar year following the year for

which such stock was awarded; or (c) the date on which the participant ceases to be employed by the Company or a participating subsidiary if such termination is other than a voluntary termination (exclusive of termination pursuant to the terms of an employment contract described under *Employment Contracts with Certain Officers)* or a discharge for cause.

Distributions of stock (whether through stock splits or dividends) and stock purchased with cash dividends vests in participants as of the date the stock with respect to which the cash, stock or property was received vests in the participant. In the event a participant ceases to be employed by the Company or participating subsidiary (other than as provided above) before stock is vested, the participant will forfeit his or her interest in such stock and any cash or property received with respect to such stock. Any such stock, cash or property so forfeited will be returned to the Company.

Each employee receiving awards under the Plan has the right and shall be afforded the opportunity to instruct the Trustee on voting shares of stock held in his or her account. Rights, benefits and payments under the Plan may not be assigned, pledged or encumbered in any way and any attempts by a participant or a beneficiary to do so are void.

The following awards were made to executive officers included in the table on page 6 for services rendered in 1983: Mr. Caspersen, $125,000; Mr. Farris, $100,000; Mr. Holm, $55,000 and Mr. Tucker, $40,000. All executive officers entitled to participate in the plan as a group were awarded $442,500.

Employment Contracts with Certain Officers. In 1982 the Company entered into employment contracts with approximately 250 key officers of the Company and its subsidiaries holding the rank of Assistant Vice President (or its equivalent) or above. The officers are those who are responsible for the overall operations and the day-to-day business activities of the Company and its subsidiaries and include all officers covered by the executive compensation table.

The Board of Directors, through an Ad Hoc Committee on Employment Contracts, composed of Messrs. Evans, Veasey and Watts, took such action in order to assure such key employees (and those who may be offered key positions in the future) of equitable treatment in the event of a change of control of the Company (as defined in the contracts) not approved by the Company's Board of Directors.

The employment contracts are operative for a three-year period if a change of control occurs. They will provide key employees (a) compensation during the employment period at a rate equal to that existing immediately prior to the change in control, adjusted through such period to reflect increases based upon the Company's prior practices and (b) continued eligibility during such period under the Company's employee benefit plans. A key employee's good faith determination that the nature and scope of his or her duties have been limited following a change of control would entitle the employee to terminate employment with the Company. In that event or in the event of a termination of employment by the Company other than for cause, most components of such compensation and benefits would continue through the remainder of the three-year period.

Compensation of Directors and Other Plans and Arrangements. Directors of the Company who are not employees receive for their services $1,500 per quarter and $3,000 for each meeting attended. Directors who are also employees receive for their services as directors $200 for each meeting of the Board attended. Non-employee directors who are members of the Executive Committee receive $1,500 per meeting attended and those who are members of other committees of the Board, including the Audit Committee, Compensation Committee, Committee on Strategic Planning and Evaluation or any Ad Hoc Committee, receive $1,000 for each meeting attended or for each day services are performed on behalf of such Committee. Non-employee directors who are Committee Chairpersons also receive $500 for each meeting attended. In addition, a non-employee director designated by the Board as a General Director receives a fee of $1,000 per day (provided such fees do not exceed a maximum of $100,000 per year) and reasonable travel expenses for each day devoted to carrying out such responsibilities as the Board may from time to time designate. Payment of such meeting and service fees may be deferred until a director either reaches the age of 70 or terminates his or her relationship with the Company. Such deferred fees bear interest at an annual rate equal to the average annual interest cost of all short and long-term borrowings by the Company and consolidated subsidiaries.

The Company also has an agreement with Mr. Evans which provides that he will (a) render without compensation advisory and consulting services to the Company for a period of three years following his retirement and (b) not engage in any enterprise in competition with the business of the Company or any of

its subsidiaries for a period of three years following his retirement. Mr. Evans retired as an executive officer of the Company on December 31, 1981.

In order to allow the Company to avail itself of the experience of retired directors, it is the Company's policy to pay each director who, after February 16, 1984, (a) ceases to be a director after at least five years of service and after having attained the age of 70 years or (b) has served for ten years and either resigns voluntarily or decides not to stand for re-election, the sum of $4,500 per quarter if such retired director agrees to be available to render advice to the Board, its Executive Committee or any of its members. Directors who retired prior to February 16, 1984 and after November 26, 1979 under the same conditions stated above receive $3,000 per quarter, and directors who retired prior to November 26, 1979 receive $2,000 per quarter.

During the period beginning on January 1, 1983 and ending on the date hereof, three nominees, Messrs. Caspersen, Tucker and Watts, had loans outstanding in excess of $60,000 with Beneficial National Bank, a subsidiary of the Company. In addition, Central Grain, Inc., an associate of Mr. Carvel, and Westby Corporation, an associate of Mr. Caspersen, had loans outstanding with such bank during the same period. All loans were made by Beneficial National Bank in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features. As of the date hereof, the loans to Mr. Tucker and to Westby Corporation have been paid in full.

This Proxy Statement includes a description of transactions between the Company and its subsidiaries and directors and officers of the Company only for periods during which they served as such.

SELECTION OF AUDITORS

Proposal 2

The Board of Directors, upon recommendation of the Audit Committee, which is composed of five directors who are not officers or employees of the Company, has selected, subject to stockholder approval, the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1984 and it is intended that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the ratification of such action. As in prior years, a representative of Deloitte Haskins & Sells is expected to be present at the meeting and to be available to respond to appropriate questions. The representative also will have an opportunity to make a statement if he or she so desires.

Audit services rendered by Deloitte Haskins & Sells to the Company in 1983 included examination of the annual financial statements, review of unaudited quarterly financial information, assistance and consultation in connection with Securities and Exchange Commission reports and registration statements and consultation in connection with various accounting matters. All services provided by Deloitte Haskins & Sells were approved by the Audit Committee of the Board in most but not all cases before they were rendered.

OTHER BUSINESS

The Board of Directors does not know of any matters to come before the meeting other than those referred to in the Notice of the meeting. If any other matters should come before the meeting, the accompanying proxy will be voted on such other matters in accordance with the judgment of the person or persons voting the proxy.

STOCKHOLDER PROPOSALS FOR 1985 ANNUAL MEETING

Stockholder proposals for the 1985 Annual Meeting must be received at the executive offices of the Company, Office of the Secretary, 1100 Carr Road, Wilmington, Delaware 19899, not later than November 29, 1984 for inclusion in the 1985 proxy statement and form of proxy.

FORM 10-K

The Company will furnish without charge to each stockholder, upon his or her written request, a copy of the Company's Annual Report on Form 10-K for the year 1983 which the Company is required to file with the Securities and Exchange Commission, including the financial statements and the schedules thereto.

Requests should be addressed to: Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

COST OF SOLICITATION OF PROXIES

The cost of soliciting proxies will be borne by the Company. Solicitation of proxies from some stockholders of the Company may be made by personal interview, mail, telephone or telegram by the directors, officers and regular employees of the Company or subsidiaries. The Company also will request brokerage houses, custodians, nominees and fiduciaries to forward the proxy material and annual report to stockholders to the beneficial owners of the stock held of record by such persons and will reimburse them, upon request, for reasonable expenses incurred in connection therewith.

By order of the Board of Directors,

KENNETH J. KIRCHER
Vice President and Secretary